

NAVAL POSTGRADUATE SCHOOL

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THESIS

AN ANALYSIS OF THE SMARTPAY PROGRAM AT THE
U. S. ARMY COMMUNICATIONS ELECTRONICS
COMMAND

by

Gloria J. Embrey-Jones

December 2001

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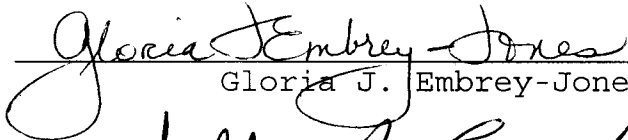
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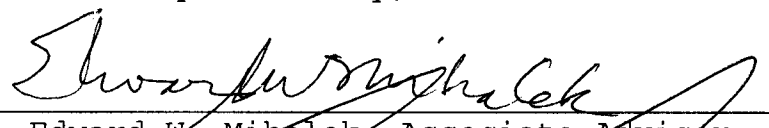
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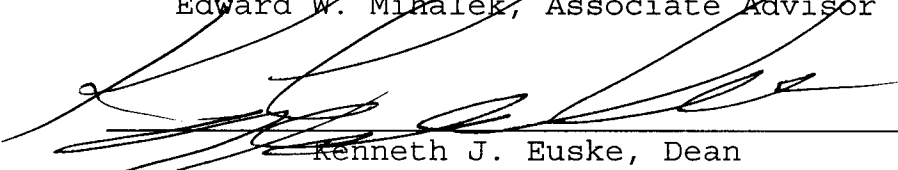
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ABSTRACT

This research examines the use of the Government-wide credit card program, SmartPay, at the U. S. Army's Communications Electronics Command (CECOM), Fort Monmouth, New Jersey. The primary intent is to establish whether the program has attained the objectives established by regulatory guidance. It identifies the basic processes/procedures with use of the card and evaluates how CECOM and tenant activities have embraced this acquisition reform initiative. This thesis identifies the benefits and any drawbacks that cardholders and Approving Officials have encountered while using the card. The conclusions based on this research are that credit card implementation at Fort Monmouth has been successful and is an effective method of decentralizing acquisition. Research results confirm that while there is an apparent need for follow-up training, the management controls are in place and effective to prevent misuse and/or abuse of the credit card. Finally, recommendations include development of a follow-up training program for all cardholders, increasing usage of credit card as a payment vehicle on established contracts, designating a champion for the program and re-examining the need for credit card purchases to be entered into the Material Acquisition Processing System.

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I. INTRODUCTION

A. BACKGROUND

The General Services Administration's (GSA) SmartPay Credit Card (formerly known as the International Merchant Purchase Authorization Card [IMPAC]) provides an alternative means for agencies of the Federal Government to effect small purchases or to make payments on awarded contracts. The card, more commonly referred to as the Government VISA Card, was established by GSA to enable agencies to obtain low dollar valued items using a credit card instead of utilizing the cumbersome traditional paper-laddened methods, such as Imprest Funds, Purchase Orders (DD Form 1155) and Blanket Purchase Agreements (BPAs).

In Fiscal Year (FY) 1990, the Department of the Army launched the credit card program to improve the small purchase process. The U. S. Army Communications Electronics Command (CECOM), a subordinate command within the Army Materiel Command (AMC), implemented their interpretation of the program in FY91. Use of the card within the Department of Defense (DoD), Department of the Army, AMC and CECOM has expanded since inception, yet there are still some activities within the CECOM community who do not participate or limit their participation.

This thesis evaluates the effectiveness and efficiency of the credit card program at CECOM in meeting the Army's goals for its use. Additionally, the research highlights any improvements needed within the CECOM community for maximum implementation of this acquisition reform initiative. The research offers the CECOM Acquisition

Center leadership the opportunity to evaluate the effectiveness of the credit card program. Analysis of the surveys provided valuable information about cardholders', Approving Officials' and Industries' impressions of the program implemented at CECOM and possible improvements. Finally, the research assisted in determining whether sufficient internal management controls are in place to discourage abuse of this acquisition reform initiative.

B. RESEARCH QUESTIONS

1. Primary Research Question

- What is the U. S. Army Communications Electronics Command's (CECOM) experience with the SmartPay Program (formerly known as the International Merchant Purchase Authorization Card [IMPAC] Program) and how might this information be used to improve program efficiency, effectiveness and utilization rates?

2. Subsidiary Research Questions

- What prompted the Department of Defense (DoD) to implement the credit card program and what objectives does DoD hope to achieve with this acquisition reform initiative?
- What are the various DoD and U. S. Army policies, regulations and processes with respect to the SmartPay Program and how does CECOM manage their credit card program?
- What are the current challenges and issues associated with SmartPay usage and participation?
- What is CECOM's and associated industry participants' experience with the credit card program?
- How do CECOM and associated industry participants assess attainment of respective goals under CECOM's credit card program?
- What changes are needed to improve SmartPay Program efficiency, effectiveness and utilization rates at CECOM?

C. SCOPE AND METHODOLOGY OF THE THESIS

This thesis assesses policy from the DoD level down to a subordinate command (CECOM) regarding the implementation and use of the credit card. The analysis focuses on the program instituted at CECOM with regard to its own activities as well as all other Department of the Army tenant activities located on the installation at Fort Monmouth, New Jersey. The decision to implement the program and the management policies and internal controls were examined. The thesis focuses on the decentralized use of the credit card by designated authorized users outside the actual contracting profession for purchases under the \$2,500.00 micro-purchase threshold and the use of the credit card for any action in excess of \$2,500.00 by those contracting professionals within the CECOM Acquisition Center.

To accomplish the necessary research for this thesis, several methods were used. The initial phase involved a thorough review of existing literature concerning the credit card program. Government regulations, i.e., the Federal Acquisition Regulation (FAR) and its supplements, the Defense Federal Acquisition Regulation Supplement (DFARS) and the Army Federal Acquisition Regulation Supplement (AFARS) were reviewed. Additional documents reviewed included General Accounting Office (GAO) reports, theses from Naval Postgraduate School and other learning facilities, reports posted to the Department of Defense Credit Card Program Web Site, and General Services Administration (GSA) publications relevant to the Program. The researcher reviewed magazine articles and other miscellaneous publications regarding users' experiences

with this new reform initiative. This literature review was conducted to provide a brief history of the credit card program and to provide the researcher an understanding of the credit card program's implementation and usage within the Federal Government.

In the next phase of the research, interviews and informal discussions were conducted. The Activity Program Coordinators (APCs) for the credit card program located within the CECOM Acquisition Center were interviewed to learn about the implementation of the program at CECOM Headquarters and to ascertain what local policies and procedures were in place for the conduct of the program. Contract Specialists, Purchasing Agents, and the Contracting Officers responsible for the majority of the actions subject to use of the credit card within the CECOM Acquisition Center were interviewed to ascertain the extent of their use of the credit card. Each was queried regarding recommendations for the program within CECOM.

The next phase involved extracting data from CECOM's report databases. Multiple databases exist within CECOM to provide information to determine the impact of the credit card on the Acquisition Center's workload and how the procurement administrative lead-time was affected. Any changes in workload resulting from implementation of the program were examined and recommendations to improve program efficiency were made. Data from Fiscal Years (FY) 1991 through 2000 were examined.

In addition to examining the databases, the researcher examined the metrics used for reporting the usage of the credit card at CECOM.

During the final phase, surveys were developed to enable cardholders, Approving Officials and industry counterparts to comment on the credit card program as implemented within DoD and, more specifically, CECOM.

A three-part cardholder survey assessed training obtained as a result of their being approved as a cardholder, asked about card utilization in their office and asked cardholders' assessment of the program at CECOM. Part one was designed to ascertain the extent of the training program offered at CECOM for this Program, both initially and follow up. Part two asked cardholders about their experiences with vendors and sought information on how much time they spend a month performing credit card functions. The third portion afforded cardholders the opportunity to assess the program and offer any recommendations they may have for improvement to the process. A copy of the survey is provided as Attachment A.

The survey issued to Approving Officials consisted of two parts. Part one was designed to obtain information on the training program developed for this designated official. Part two afforded the Approving Officials the opportunity to assess the program and offer any recommendations for improvement to the process/program. A copy of the survey is provided as Attachment B.

A listing of all approved cardholders and designated Approving Officials was obtained from the CECOM Activity Program Coordinators (APCs). The surveys were electronically disseminated. Responses were received in the same manner from each respondent. Unfortunately, this method of distribution and response did not allow for

autonomy of the respondent, but each was assured in the preamble instructions to the survey that responses would be kept confidential.

A third survey was issued to industry. The intent of this survey was to ascertain industry's perspective on the Government's usage of the credit card. These surveys were mailed to companies who have received awards placed through the Acquisition Center's Base Operations Teams during the past two Fiscal Years. In addition, company names and addresses were obtained from several Contract Specialists within the Base Operations area who had recently developed solicitation mailing lists for year-end buys. A third set of names and e-mail addresses was obtained from the systems automation team who maintain a running roster of companies registering to participate in reverse auctions over CECOM's web page. These companies were chosen because the implementation of the credit card program would have had the biggest impact on business with these firms because of the variety and types of supplies/services being purchased. These teams award all information technology requirements for CECOM and the resident activities as well as all other base operating type efforts. A copy of the survey is provided as Attachment C.

After all the survey data were collected, each question was analyzed. The analysis of the surveys, as well as all the other data collected, is presented in Chapter IV. Each question with its associated response and the results of database reviews will provide management within the Acquisition Center additional tools to administer the CECOM credit card program.

D. ASSUMPTIONS AND LIMITATIONS

Familiarity with the Federal acquisition process by the reader is assumed. Specifically, the reader is assumed to be learned in simplified acquisition procedures as set forth in the Federal Acquisition Regulation (FAR) and its supplements as well as be familiar with Army and acquisition terminology.

The primary focus of this study is on the Requiring Activities at Fort Monmouth, whether CECOM or not, and the two Base Operations teams within the CECOM Acquisition Center who represent the largest population impacted by implementation of the credit card program at CECOM. These teams, by virtue of what they buy, are benefiting the most with respect to compliance to commercial practices and buying commercial items (100% of what they buy is considered to be commercial in nature).

To assess the impact of the credit card program on the simplified acquisition workload within the contracting office, an assumption was made that a purchase by a cardholder equates to a Purchase Request (PR) that the contracting office would have received if not for the ability of the user activity to purchase the item themselves.

This study is limited to only appropriated funds purchases. Non-appropriated funds (NAF) use of the credit card was specifically excluded from this research. The Contracting Office supporting the NAF element at Fort Monmouth is located in Washington, D. C. and is not part of CECOM. Therefore, any results derived from study of that element would not impact CECOM's adaptation of this reform

initiative nor would any recommendations for change or improvement be within the chain of command of this researcher.

This research addresses only one-third of the functional usage of the Government credit card - the purchase and payment utility. It does not cover usage of the Government credit card for travel purposes or for fuel usage. Separate offices within the command are responsible for the administration and oversight of the card's usage for these two utilities.

E. ORGANIZATION OF THE THESIS

Chapter I defines the purpose, scope and methodology as well as assumptions and limitations made. Chapter II provides an overview of the Government Credit Card Program detailing how it started, outlines program issues and challenges, details the regulations and policies governing the program and discusses the processes and controls for use of the card as both a purchase vehicle and a payment vehicle. Chapter III presents the data derived from this research effort. The initial part provides the results of the database reviews and explains the basis of metrics reporting on the program. It also presents the responses to interviews, informal discussions and surveys sent to both Government (cardholders and Approving Officials) and industry. Chapter IV provides the analysis of all data and its interpretation. Chapter V offers conclusions, recommendations, answers to research questions and suggests areas for further research. Recommendations will also be made to the Director, CECOM Acquisition Center regarding improving the existing credit card program.

II. OVERVIEW OF THE GOVERNMENT CREDIT CARD PROGRAM

Part of a contracting professional's day-to-day routine involves purchasing a variety of supplies, services and miscellaneous goods. Depending on the area in which this professional is assigned, those purchases may range from very low dollar items to multi-million dollar weapons systems. Major systems acquisitions contribute to the largest dollar volume of the Department of Defense's (DoD's) business base while acquiring small dollar valued items represents a significant volume of actions to satisfy the needs of every agency.

Vehicles available for those small dollar valued items include Purchase Orders (DD Form 1155), Blanket Purchase Agreements (BPAs), and in very limited exceptions, Imprest Funds. In March 1996, the Under Secretary of Defense announced the elimination of imprest funds except when authorized for contingency operations and for exceptional circumstances (not defined in guidance). [REF 1] With any type of contractual action, the paperwork required to effect the action sometimes becomes overwhelming and is too time consuming to be cost effective. Additionally, bidding on some of the smaller dollar actions is not financially feasible for the vendor. Any purchase by the contracting professional requires, at a minimum, a requirements document and a certified funding document. For a small dollar item, the time and labor expended producing those documents attributes more to the sale than the cost of the item itself. Many vendors refuse to sell to the Federal Government because of the time it takes to receive their

payment for goods or services when having to provide the item/service, submit an invoice for payment to the Defense Finance and Accounting Service and then, in some instances, wait for months to receive payment. The time delays created by the Government red-tape bureaucracy impose real-time financial hardships on small business owners, who cannot effectively operate with their working capital tied up for any extended period.

Credit card program implementation eliminated many barriers for both the Government and industry. Paperwork requirements are practically non-existent and companies now know that within three days of Government receipt of an item they will be paid by the bank sponsoring the credit card program. This program opened doors to Government purchasing for many small businesses.

A. HOW THE PROGRAM STARTED

The Federal Government adopted the concept of purchase cards on March 17, 1982 when President Reagan signed Executive Order 12352, which addressed Federal procurement reforms. Section 1 of this Executive Order addressed the need to make procurement more effective in supporting mission accomplishment and mandated that heads of executive agencies in the business of buying goods and services from the private sector take steps to that end. The primary objective was to establish programs that reduced administrative costs and other burdens imposed on the Federal Government procurement function and the private sector. This entailed eliminating unnecessary paperwork and regulations, reducing reporting requirements and revamping solicitation provisions and contract clauses. One challenge in this Executive Order was for Federal

Agencies to establish programs to simplify small purchases, to minimize paperwork burdens imposed on private sector, and to establish administrative procedures to ensure that contractors/vendors, especially small businesses, receive timely payment. [REF 2]

Throughout much of the 1980s no improvements were forthcoming. The acquisition process continued to be plagued with reports of fraud, waste and abuse. The rules and regulations continued to pile up with no dedicated regime to actually recommend or put into place any significant change mechanisms. As a result, in July 1985, the President commissioned a panel to conduct a defense management study of the procurement system as well as other issues confronting the Federal Government. He challenged the Blue Ribbon Commission on Defense Management (commonly referred to as the Packard Commission) to streamline the entire acquisition system. [REF 3]

In June 1986, the Commission released its findings in a report titled, A Quest for Excellence: Final Report to the President. The Commission believed the Department of Defense's (DoD) acquisition system needed radical reform and offered 55 recommendations to the President. Nine of those recommendations were directly attributable to acquisition:

- streamlining acquisition organizations and procedures
- using technology to reduce costs
- balancing cost and performance
- stabilizing programs
- expanding use of commercial products

- increasing competition
- clarifying the need for technical data rights
- improving the quality of acquisition personnel
- improving the capability for industrial mobilization [REF 4]

In response to the Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the June 1986 Commission's report to the President, the General Accounting Office (GAO) conducted many reviews of the Services to ascertain just how well the Department of Defense was progressing with these acquisition reform efforts. Some reports indicated progress in small doses while others specifically stated that some of the Services were doing nothing to comply with either directive. [REF 5] The system needed more of a push.

In 1986, the Government-wide commercial credit card pilot program was launched by the Department of Commerce in an effort to comply with the Executive Order and the results of the Commission's report. Rocky Mountain Bankcard System (RMBCS) won a competitive sealed bid acquisition and was awarded the first Government credit card contract. Their tasking was to provide MasterCard services for this pilot program. The program grew with a maximum of twenty-four (24) organizational units participating. The pilot program's life ended with the expiration of the RMBCS contract several years later. The participants concluded that the credit card offered advantages over other methods of Federal Government acquisition. The primary advantage was that card use provided a less costly and more efficient way to buy goods/services because end-user organizations could buy

directly from vendors and not have to go to the contracting office. The users realized great savings in time and effort as opposed to the traditional acquisition process of preparing requisitions, sending them to the procurement office, waiting for the Contracting Officer to award a purchase order, waiting for delivery and then having to prepare receiving reports. [REF 6]

Additionally, contractors/vendors realized the same type of relief in receiving instant verbal requests from Government representatives for their goods and more importantly, instantaneous payment without the burden of submitting duplicate copies of invoices which were then submitted to the Defense Finance and Accounting Service Vendor Pay office and waiting several months for their payments.

The success of the Department of Commerce pilot program prompted the Office of Management and Budget (OMB) to task the General Services Administration (GSA) to develop a credit card program to enable all Federal Government employees to add another acquisition instrument to their toolbox. [REF 7] GSA selected RMBCS to provide this service, but this time the Government chose a VISA card and DoD initiated their own pilot period to test the program.

In late 1989, OMB acknowledged the success of the DoD credit card program and directed GSA to implement credit card services for all Federal entities. "Do you accept the Government credit card?" has become a familiar phrase in Federal Government acquisition. With the success of the pilot program acknowledged, the Department of Defense

became a participant and began to promote the use of this tool as one of the premier acquisition reform initiatives of the times.

The credit card initiative gained momentum through Vice President Al Gore's National Performance Review (NPR) of 1993, which identified procurement reform in the public sector as one way of achieving a better working and less costly Government. One of the principle reform recommendations of NPR was expanding the use of the Government purchase card to buy small dollar valued items and allowing its use outside the Government procurement office. This reform initiative provided the means to alleviate paperwork required by the technical community, empowered those organizations to purchase small dollar valued items under their own cognizance and permitted the Purchasing Agents and Contract Specialists within Acquisition Centers to dedicate their efforts on the more important, larger dollar valued acquisitions. The NPR also recommended that the Federal Acquisition Regulation (FAR) and its supplements be revised to accommodate the expanded use of this initiative. [REF 8]

The Office of Federal Procurement Policy (OFPP) took the lead in furthering use of the credit card through a pledge program initiated in October 1993. Senior procurement executives from the U. S. Departments of Commerce, Treasury, Interior, Health and Human Services, Transportation, Energy, State, and GSA pledged to increase use of the card in their respective organizations by:

- extending use of the card by 100% between October 1993 and October 1994 and increasing the number of cardholders by 100%

- placing the card in the hands of trained managers and other non-procurement personnel
- identifying and eliminating impediments; and
- sharing experiences to expand the card's use.

Shortly thereafter, the Office of Personnel Management, the Federal Emergency Management Agency, the Drug Enforcement Agency and Federal Prison Industries joined this effort. An interagency work group, known as the Purchase Card Council, was chartered through the Treasury Department to lead this yearlong effort.

The Council focused on increasing use of the card by publicizing it at every opportunity and by challenging administrative and regulatory barriers to its use. Their efforts contributed to the pledge being fully honored in nine months versus the pledged twelve. As of 21 July 1994, these agencies were at a usage level of 119% more than the January 1993 benchmark. [REF 8]

Even though the cards became available Government-wide in 1989, this initiative was slow to catch on. This reluctance is attributed in part to the administrative fees levied on Government agencies under the initial credit card contract and the lack of explicit FAR coverage for this reform initiative, a grave concern expressed by agencies. [REF 6]

In February 1994, GSA again competed the credit card program contract and RMBCS won the award. This time the contract included control requirements for agencies to establish before they issued cards including specifying spending limits per user. In addition, GSA established operating procedures for making purchases and payments via

the credit card. A more significant change made by GSA in this contract award was the elimination of the agency administrative fee for use of the card and, more importantly, the requirement imposed on RMBCS to offer agency refunds for timely payment of the credit card bills. [REF 6]

To stimulate this acquisition reform initiative, Congress enacted the Federal Acquisition Streamlining Act of 1994 (FASA) and President Clinton signed Executive Order 12931, dated 13 October 1994, on Federal Procurement Reform. FASA established the term "micro-purchases" for any action under \$2,500.00 and reduced or eliminated most restrictions on purchasing at or under that level. Purchases at this level are exempt from the Buy American Act and certain small business requirements and the Act eliminated the need for competition at the \$2,500.00 threshold.

Executive Order 12931 directed the expanded use of the credit card by delegating micro-purchase authority to those offices actually requiring the supplies or services. [REF 9] This bold measure shifted contracting authority from the hands of Contracting Officers to Program/Project Managers and Technical Representatives. Anyone outside the procurement office having a need to buy any mission essential item under the micro-purchase threshold became a contracting conduit.

In 1995, the Federal Acquisition Regulation designated the purchase card as the preferred method to pay for all micro-purchases.

By memorandum dated March 28, 1996, the Under Secretary of Defense, the Honorable John J. Hamre, directed elimination of imprest funds except when authorized for contingency operations and for exceptional circumstances (no definition of this exception was provided). This direction emphasized maximum use of the Government credit card and announced the feasibility of making available VISA checks that would be charged to the cardholder's credit card account. Exceptions to this policy would be staffed at the DoD level in the Office of the Deputy Chief Financial Officer's office. [REF 1]

In April 1997, the Secretary of Defense's Annual Report to the President and Congress detailed the Government purchase card as one of the goals of the Department that would contribute to reforming the Government's acquisition process. [REF 10]

In his 1998 report, Secretary Cohen specifically identified "Goal 3: Simplify purchasing and payment through use of purchase card transactions...". In this report, savings of \$92.00 per transaction were reported by the Army Audit Agency each time the card was used. It also established a goal of 90% usage for micro-purchases by the year 2000. [REF 11]

Effective 29 November 1998 the International Merchant Purchase Authorization Card (IMPAC), American Express travel card and Wright Express fleet card, the credit cards in existence since GSA started contracting for purchase card services, expired. GSA revamped the program, called it SmartPay, and awarded five long-term, 10-year contracts to Citibank, Bank One, Mellon Bank, Bank of America and U.

S. Bank providing Federal agencies flexibility of provider and card choice (VISA or MasterCard) for purchase card, travel or fleet needs. Federal agencies are no longer restricted to one provider for all three services: they can now mix or match. [REF 7]

Secretary Cohen's 1999 report continued this goal, stating that the Department was already approaching the 2000 goal. [REF 12]

His 2000 annual report stated that September 1999 data revealed that DoD had exceeded the 2000 goal and was using the purchase card for 92% of micro-purchases. [REF 13] In the 2001 report, the goal was dropped, as having been met, but the Secretary acknowledged that use of the card was creating hundreds of millions of dollars in savings and cost avoidance for DoD. [REF 14]

The latest data from GSA report that purchase card volume increased 24% from FY98 to FY99 and that the average transaction is \$493.81 with a savings of \$53.77 per transaction in administrative costs (consolidated invoicing, reduction in imprest funds and electronic availability of financial data). By FY99, two million cards were in use accounting for \$14.8 billion in transactions. [REF 15]

In addition to the manpower savings associated with eliminating unnecessary processes and its associated paperwork, the credit card servicing banks allow for productivity-based refunds. Under the existing GSA credit card contracts, activities receive a refund of .01% of net sales per billing cycle for payment of the monthly bill each day earlier than 39 days after receipt. An additional

refund of .05% of net sales volume is given when electronic means are used. In FY99 these refunds totaled \$55,010,812.00, a 70% increase over FY98. [REFS 15,16]

The savings realized support Government-wide financial, information technology, procurement and other management innovations, initiatives and activities. [REFS 17,18] DoD received approximately \$25 million in rebates in Fiscal Year 2001. Contrary to DoD's initial thoughts on how the Services would use these rebates, they have to be credited to the appropriations used for the original purchase volumes responsible for generating the rebates. Most of the card purchases are from yearly operations and maintenance funds (O&M). The Services cannot take the rebates and apply them to different appropriations from a central point of view; therefore, a large fund created for the purpose of supporting other programs (modernizing/updating weapons systems for the warfighter) would be against fiscal law. The funds, while credited to the outstanding amounts in monthly bills, do reduce the cost of operating at the individual activities enabling them to apply the savings to the purchase of other productivity-enhancing processes or products like computers which will be necessary for the next wave of credit card enhancements (internet statement approvals). (REF 19]

The credit card program continues to grow each fiscal year with more and more cards issued to cardholders meaning more and more savings being returned to Federal Government agencies. In 1989, 10,489 cardholders making 2,326 transactions recorded sales totaling \$460,612. Back then, less than 5% of the cardholders used the credit card. In

FY01, 406,290 cardholders used their cards 24,443,850 times for total sales of \$13,787,668,676. The final figures for FY01 indicate a drastic drop in the number of cardholders from the previous year, down from 670,374. Yet, sales volume increased approximately \$1,500,000.00 and the number of transactions also increased by almost one million. The GSA website noted that the database had been scrubbed in August 2001 to remove all discontinued cards. While this researcher can only make an assumption without any substantiating data, it appears that the decline in number of cardholders from FY00 to FY01 is the result of the sanitizing of the GSA SmartPay database. [REF 15]

The Department of Defense embraced the credit card program and promoted maximum use of this reform initiative. In FY01, 230,646 (down from 269,211 in FY00) cardholders conducted 10,710,874 transactions totaling \$6,121,006,616. [REF 20]

As with the total Government figures noted above, transactions and sales volume for DoD were up in FY01 while the number of cardholders declined. The researcher's assumption noted above holds for this shift in cardholder numbers. Figure 1 displays DoD credit card growth by Service over the past three fiscal years.

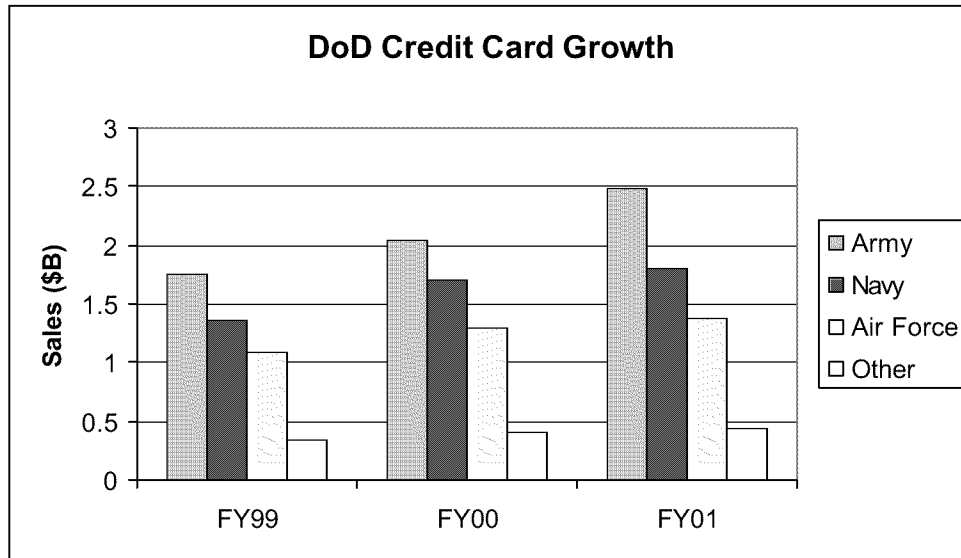


Figure 1. DoD Credit Card Growth by Service FY99 - FY01.
From: GSA Credit Card Website.

Figure 2 provides the trend line for that growth.

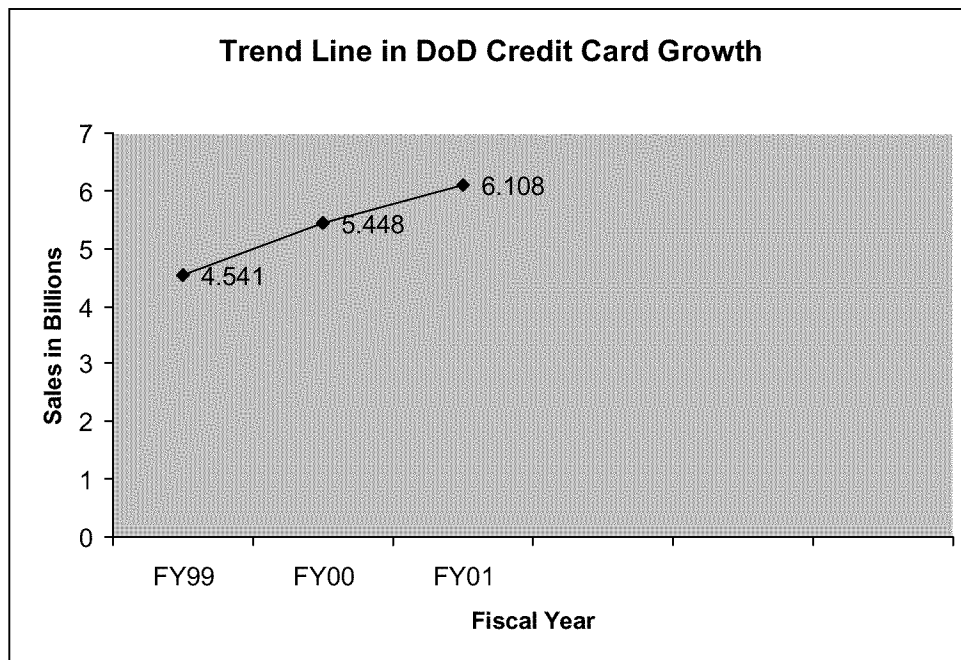


Figure 2. Trend Line in DoD Credit Card Growth.
From: GSA Credit Card Website.

The Army instituted use of the Government-wide Commercial Credit Card Program in FY90. Since that time, the Army has continuously increased its usage of the credit card. [REF 21] Figures 3 and 4 depict the yearly growth in transactions and dollars.

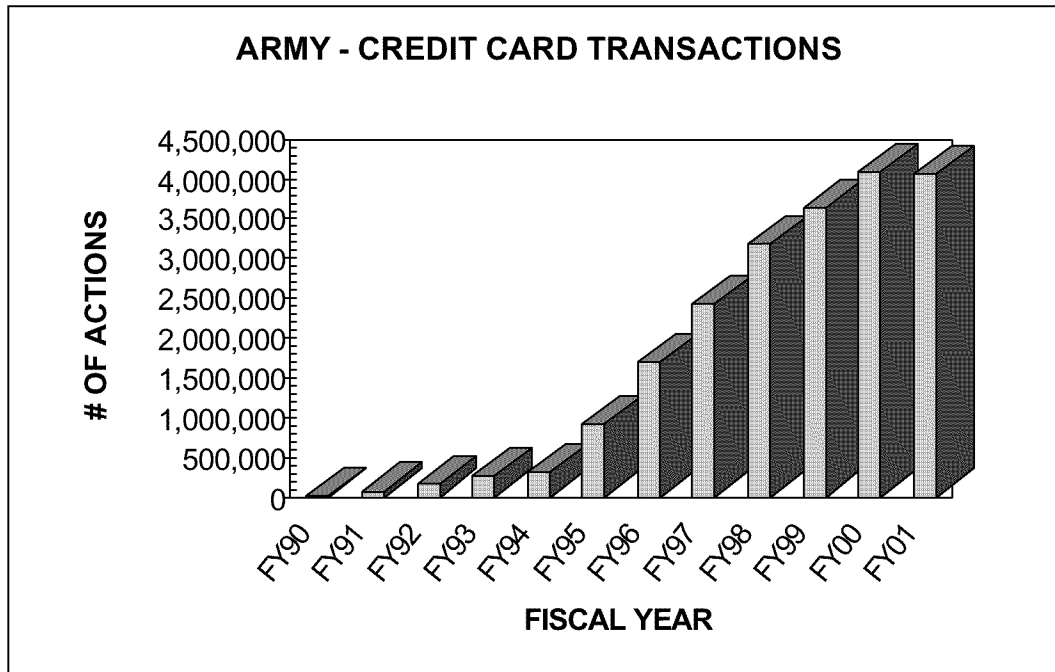


Figure 3. Army Transactions, FY90-FY01.
From: GSA Credit Card Website.

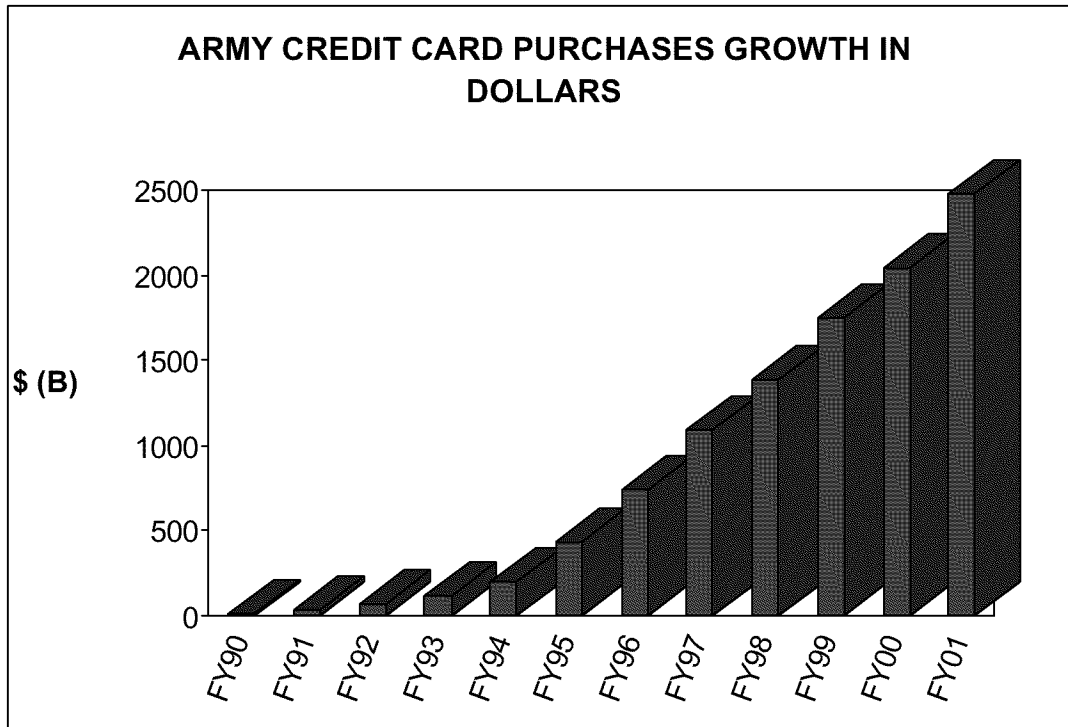


Figure 4. Army Purchase Card Growth FY90 - FY01.
From: GSA Credit Card Website.

B. HOW THE CREDIT CARD PROGRAM WORKS

The credit cards used by Government agencies are internationally accepted VISA, MasterCard or Voyager cards. Even though they are the same size and shape as a regular commercial credit card, they were designed specifically for Government use bearing the Great Seal of the United States in the left corner and the SmartPay logo in the upper right corner. The cards are also distinct to the Government in that their first four numbers were specifically selected for immediate identification as a Government bearer. Near the Great Seal, the words, "United States of America" are imprinted with the following inscriptions underneath: "For Official US Government purchases only and US Government Tax Exempt."

Participation in the program requires an implementation meeting between the GSA Contracting Officer, Bank Representative and VISA or MasterCard Representative. The representatives provide relevant program training and materials for administrative management and financial managers.

After this initial meeting, agencies desiring to participate issue a delivery order against the GSA Master Contract and send the Delivery Order, along with internal procedures they have developed for their own agency, to GSA. Agencies/activities must designate an Agency Program Coordinator (APC), a Finance Office Contact, a Disputes Contact and a Contracting Officer's Technical Representative (COTR). The APC serves as the focal point for coordination of credit card applications, issuance of credit cards and training for cardholders and Approving Officials. The Finance Office contact is the primary focal point for payment of the monthly credit card bills to the respective bank. The Disputes Contact coordinates, processes and monitors any disputed purchases, credits or any billing errors. The COTR is the primary liaison between the bank and agency and oversees the agency program. [REFS 22,23]

After GSA receives this information, the APC coordinates and submits individual application paperwork for each cardholder and Approving Official. Within ten (10) days of receipt, the respective bank mails the credit card to the cardholder at their office.

The GSA-contracted banks issue cards to individuals based upon receipt of requests from participating agencies

as processed by the Agency Program Coordinators. The Agency Program Coordinator is the designated individual(s) within an agency who manages the local program, provides training to cardholders, maintains current list of cardholders/Approving Officials and conducts an annual review of the program. One peculiar aspect of the Government credit card program is that there are no individual credit checks conducted nor are any personal information files maintained by the banks issuing the cards.

C. CREDIT CARD REGULATIONS AND POLICIES

The GSA Federal Supply Service Contract Guide for Government-wide Commercial Purchase Card Service states:

Agency procedures should not limit the use of the Government-wide Commercial Purchase Card to micro-purchases. Agency procedures should encourage use of the card in greater dollar amounts by Contracting Officers to place orders and to pay for purchases against contracts....
[REF 22]

The Department of Treasury's Financial Management Services Manual states:

Small purchases of up to \$25,000 should be made using the Government purchase card. Other small purchase methods...may only be used in lieu of the Government purchase card when it is more cost-effective, practicable or required by existing statutes. [REF 16]

FAR 13.003(e) states, "Agencies shall use the Government-wide commercial purchase card ... to the maximum extent practicable in conducting simplified acquisitions." FAR 2.101 defines simplified acquisition procedures as the methods prescribed in FAR Part 13 for purchasing supplies and services. It further defines the simplified

acquisition threshold as \$100,000.00 except when a contract is awarded and performed, or a purchase is to be made, outside the U. S. in support of contingency, humanitarian or peacekeeping operation, where the limit is raised to \$200,000.00. [REF 24]

FAR 13.003(g)(2) states:

Authorized individuals shall make purchases in the simplified manner that is most suitable, efficient and economical based on the circumstances of each acquisition. For acquisitions not expected to exceed...\$5 million for commercial items, use any appropriate combination of procedures in Parts 12, 13,... [REF 24]

FAR Subpart 13.3 addresses "Simplified Acquisition Methods" with Government-wide Commercial Purchase Card, Subpart 13.301(b), as the first method identified. This subpart wording was taken precisely from the GSA Federal Supply Service Contract Guide wording noted earlier herein. Paragraph 13.301(c) identified the following three areas for use of the credit card: 1) make micro-purchases; 2) place a task or delivery order; or 3) make payments. [REF 24]

The Defense Federal Acquisition Regulation Supplement (DFARS) in Part 213.301(2) states, "An individual...may use the Government-wide commercial purchase card to make a purchase that exceeds the micro-purchase threshold, but does not exceed \$25,000, if..." [REF 25]

The conditions stated there, at first glance, may lead one to believe that, if buying a commercial item, using the credit card up to a limit of \$25,000.00 was permitted. Upon closer examination of the provision, the first

condition, performance being performed outside the United States, ends with the word "and". The second condition, "for a commercial item", ends with the word "but". Therefore, this prescription is inclusive of the first two statements - outside the U.S. and commercial. Both conditions MUST exist to use the DFARS guidance.

The Army Federal Acquisition Regulation Supplement (AFARS) in Part 13.9001 restricts the use of the card for purchase of commercially available supplies and services to the micro-purchase threshold. It further specifies that the card may be used for payment purposes above that \$2,500.00 threshold. [REF 26]

In addition to monetary thresholds, other restrictions were levied by the Department of the Army and filtered down to Major and Subordinate Commands. The Army's Unauthorized Use Listing, set forth in Part V of their Standard Operating Procedure (SOP), consisted of three items: (1) cash advances, (2) rental or lease of land or buildings and (3) FTS 2000 Telecommunications service. There were three other items listed where the card should not be used unless the individual agencies warranted its use. These additional three items, at the time the listing was published, were accommodated by the American Express Travel Card Program and the Wright Express Fleet Service Program. Now they are all covered under the SmartPay Program. [REF 27]

The Army Materiel Command (AMC), CECOM's major command, perpetuated the limited AFARS credit card usage with respect to the dollar value of the buy, limiting it to the micro-purchase threshold. Even though the AMC

guidelines included no additional restrictions, the guidance enumerated a number of items for which prior approval is required before making the purchase. [REF 28]

CECOM implemented their interpretation of the credit card program in FY91. The CECOM restricted list included all of the Army's restrictions (noted by the asterisk) and provided further limitations on usage of the card shown in Table 1. [REF 29]

Cash advances*
Rental or lease of motor vehicles
Rental or lease of land or buildings*
Purchase of travel related tickets, travel related meals or travel related lodging* (separate credit card for these items at that time)
Purchase of gasoline or oil* (separate credit card at that time)
Repair of motor vehicles
Purchase of telecommunications*, and telephone services (beepers, cellular phones, pagers, air time and similar items). (Army list contained FTS 2000 Telecommunications service. CECOM expanded to all telephone services.)
Printing or copying services
Telephone calls
Office & other administrative supplies, furniture and expendable equipment available from mandatory sources such as shop stores (Self-Service Supply), General Services Administration (GSA) and UNICOR (Prison Industries)
Items funded with direct cite funds (i.e., MIPR)
Asset Capitalization Program (ACP) funded items
Purchase of certain services
Items requiring a technical inspection before payment
CC: Mail to include all upgrades
Rental of equipment (i.e., copiers, pagers, etc.)
Perishable and non-perishable food
Purchase of software site licenses
Purchase of clothing or footwear

Table 1. CECOM Restricted List.
From: Army Authorized List/CECOM SOP.

D. CREDIT CARD PROCESSES AND CONTROLS

As stated earlier, the Government's credit card program is now known as SmartPay. Agencies may choose either a VISA or a MasterCard as the purchase card.

Each agency develops its own internal procedures for using the card. In accordance with guidelines regarding the program, an office must be designated to manage the program. At CECOM, the Acquisition Center assumed overall responsibility for administering the CECOM and Fort Monmouth U. S. Government Credit Card Program. [REF 29] Activity Program Coordinators (APCs) are appointed by the Director of the organization accepting responsibility for administration of the program. The primary duty of the APC is to serve as the focal point for all credit card purchase problems/questions and to interface with the selected Contractor Bank for the credit card services. A secondary but most important functional responsibility is to train all individuals requesting authorization to be a cardholder. APCs are responsible for maintaining a current, accurate list of all cardholders and Approving Officials as well as conducting yearly audits of all activities utilizing the credit card as a purchase vehicle. They are the "watchdogs" of the organizations responsible to ensure that there are no violations of any of the rules and regulations regarding use of the credit cards; i.e., split purchases and unauthorized use.

Controls are put in place by the individual offices but some standard ones associated with the program include:

- The Approving Official is the cardholder's immediate supervisor who is responsible to approve all purchases before they are made and

for reviewing the monthly statement as part of the reconciliation process

- Cardholder limits are established by that Approving Official upon the cardholder receiving said card
- Each card is validated upon presentation for purchase by the merchant by use of a point of sale device which performs a range of up to 50 authorization checks on the particular card
- Merchant Activity codes offered by the bank are selected by each Agency and they indicate which codes apply to which card
- Each vendor is assigned a Merchant Type Code that corresponds to the type of business and the kinds of goods and services they provide (these are verified every time a card is used to ensure that the cardholder is authorized to purchase only those goods or services provided by that Merchant)
- GSA issues management reports to agencies to assist them in tracking and monitoring card use. [REF 30]

Frequent, recurring training is another mechanism of internal control. To this end, GSA developed a standardized micro-purchase training program using an interactive format on CD-ROM. This instrument provides reference documents providing guidance to cardholders, applicable rules and regulations to educate the cardholders on allowable and unallowable purchases and catalogs for required sources of supply (NIB/NISH and UNICOR). [REF 30]

1. Using the Credit Card as a Purchase Vehicle

As stated earlier, Requiring Activities were given authorization to use the credit card for all purchases under the micro-purchase threshold. No restrictions exist as to the number of cardholders each activity may have. Each cardholder is designated in writing and assigned an

Approving Official within their immediate work area, preferably their immediate supervisor - the method of checks and balances.

As envisioned by those endorsing this reform initiative, utilizing the credit card as a purchase vehicle streamlines and strengthens the acquisition process, if only for those actions under the micro-purchase threshold. This streamlined process eliminates the procurement office maximizing the Requiring Activity's role in this initiative. Figures 5 and 6 depict the Standard Small Purchase Process, the former process, and the Small Purchase Process Using Cards, the streamlined process, respectively. [REF 31]

a. Requiring Activity Roles and Responsibilities

Credit card usage by non-contracting individuals is mandated for the purchase of any mission essential item/service with a total cost under \$2,500.00, the micro-purchase threshold. Units, directorates and activities interested in obtaining the credit card must first designate the individuals within their organizations and then contact the APC to obtain the application information and form. Along with selection of the credit cardholder, the units, directorates and activities must also designate an Approving Official for that cardholder.

Once the designated individual receives their credit card, training is conducted by the APC and that individual is then ready to purchase.

Standard Small Purchase Process

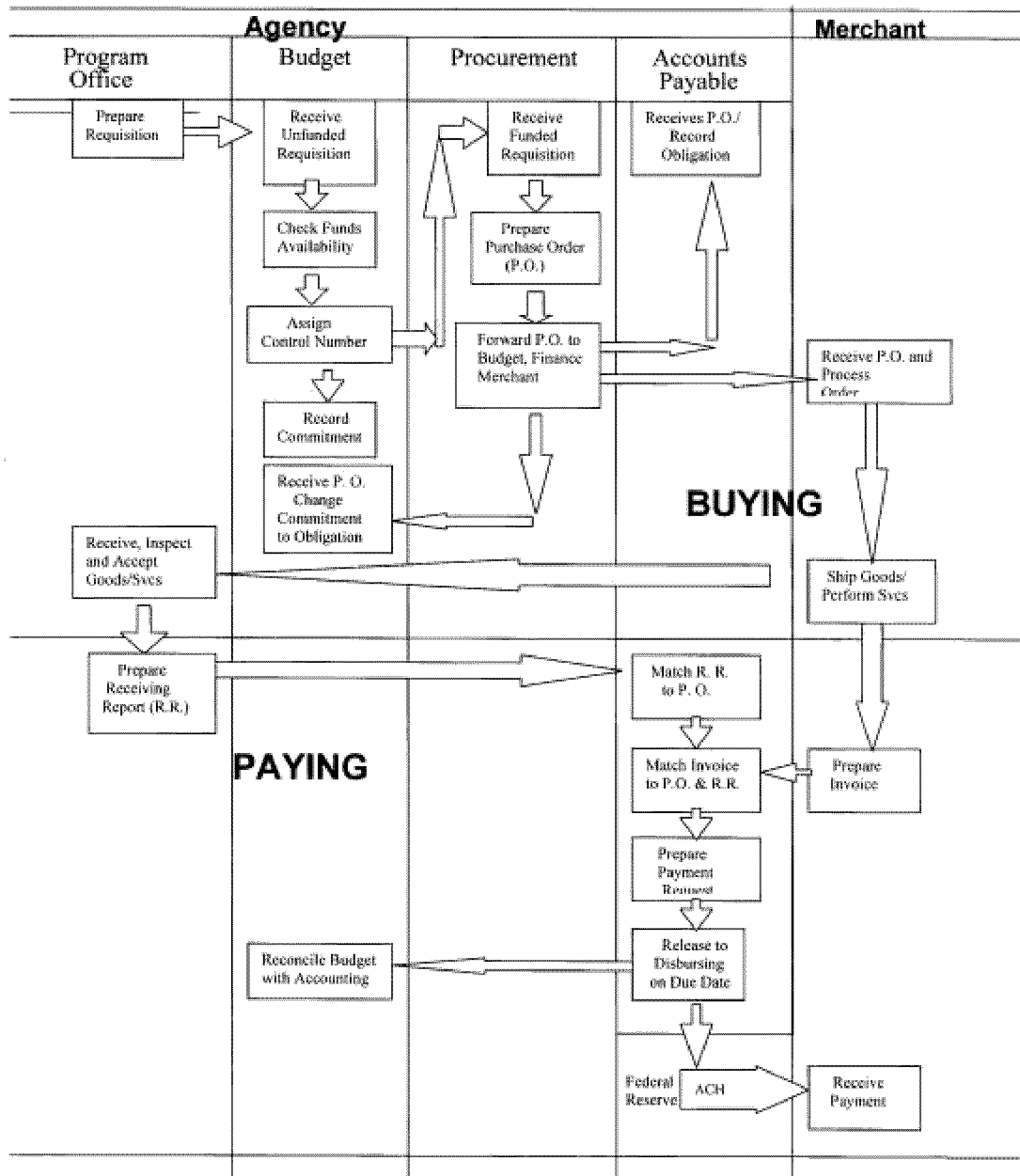


Figure 5. Standard Small Purchase Process: the Former Process.
From: Chief Financial Officers Council.

Small Purchase Process Using Cards

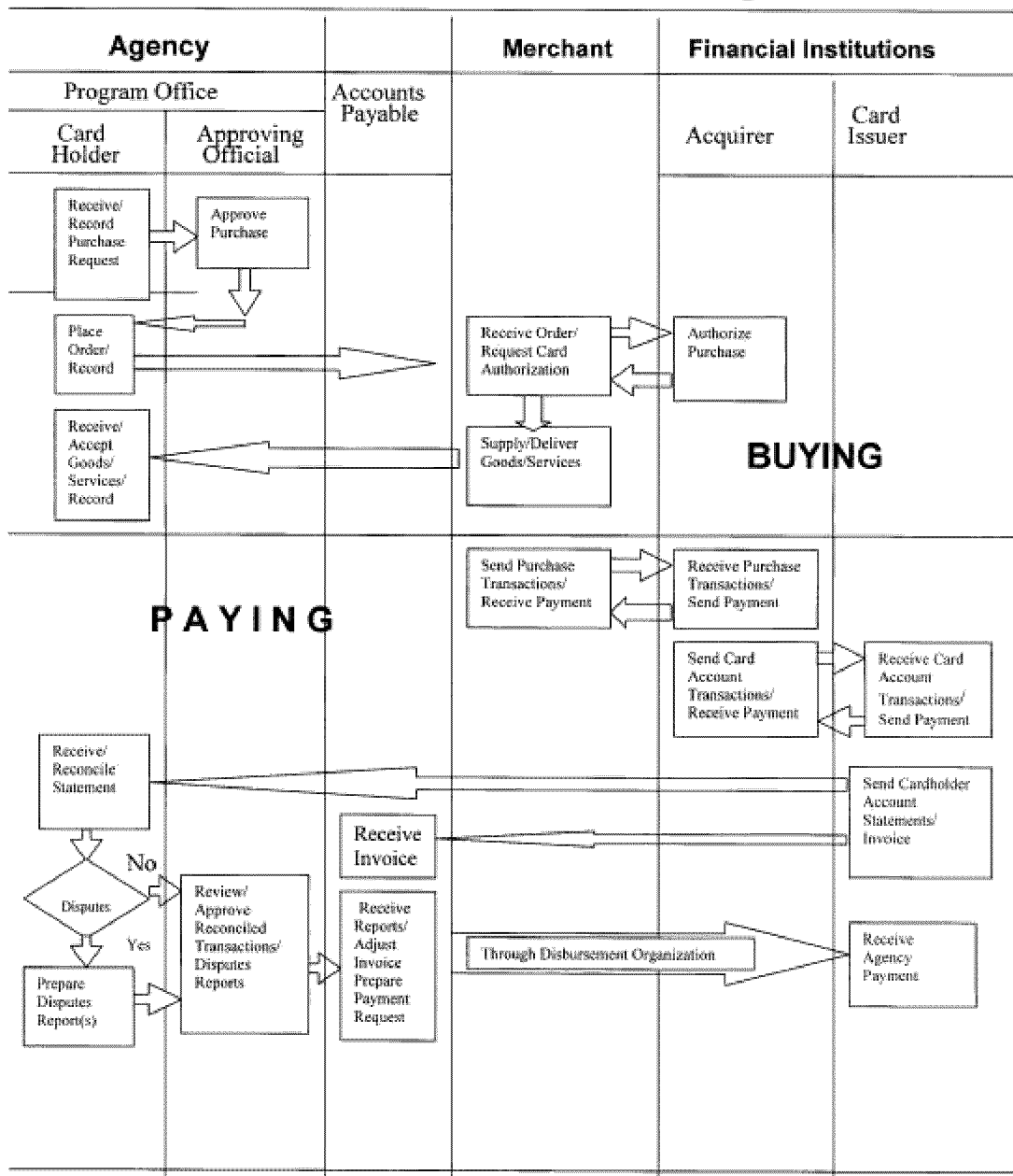


Figure 6. The Small Purchase Process Using Cards: the Streamlined Process.
From: Chief Financial Officers Council.

Once a need is identified, the cardholder reviews the need in accordance with financial policy for "bona fide need" and severability of purchase in determining the correct fiscal year funding. Particular caution must be paid to the funding when purchases are made near the end of the fiscal year. Close coordination between the cardholder and their budget officer is critical when purchases are made near the end of the fiscal year.

The cardholder then ensures that the needed item is not available from any of the required sources of supply as mandated by the regulations or rules governing use of the credit card. Pursuant to FAR 8.001(a), agencies shall satisfy requirements for supplies and services from or through the sources and publications listed below in descending order of priority:

(1) Supplies.

- (i) Agency inventories
- (ii) Excess from other agencies
- (iii) Federal Prison Industries, Inc.
- (iv) Products available from the Committee for Purchase From People Who Are Blind or Severely Disabled
- (v) Wholesale supply sources, such as stock programs of the General Services Administration (GSA), the Defense Logistics Agency, the Department of Veterans Affairs, and military inventory control points
- (vi) Mandatory Federal Supply Schedules
- (vii) Optional use Federal Supply Schedules
- (viii) Commercial sources (including educational and nonprofit institutions).

(2) Services.

- (i) Services available from the Committee for Purchase From People Who Are Blind or Severely Disabled
- (ii) Mandatory Federal Supply Schedules
- (iii) Optional use Federal Supply Schedules

(iv) Federal Prison Industries, Inc. or commercial sources (including educational and nonprofit institutions). [REF 24]

As with any regulation, there are always exceptions to every rule. The cardholder should take care in selecting sources to ensure that none of the FAR regulations are circumvented.

If the item needed is not available from any of the required sources of supply, then the cardholder is free to buy on the open market. Once again, the cardholder needs to take care that these purchases are rotated fairly among all qualified suppliers.

Prior to any purchase, the cardholder must obtain the approval of the budget certification officer and the Approving Official. The absence of either of these invalidates the requirement and the cardholder will then return to the requestor for further guidance.

If all approvals are obtained, the cardholder, prior to initiating action to make the purchase, must enter the requirement into the Material Acquisition Processing System (MAPS), an automated logistics system established for Army Materiel Command (AMC) units for use in tracking accountable nonexpendable (not consumed during use) property book items.

Once MAPS has been satisfied, the cardholder contacts the vendor, either telephonically or in person, and obtains the price of the item and determines that the item is available for immediate delivery.

Another caution in using the credit card is that split purchases are not allowed. Those familiar with

acquisition clearly understand that breaking up a requirement to avoid exceeding the particular threshold imposed for that requirement is not allowed. This application holds true with the credit card program as well.

To further clarify this concept for all Fort Monmouth users, AMC provided the following three scenarios in an attempt to define split purchases:

- (1) multiple purchases from the same vendor made on the same day and the total daily cost exceeds \$2,500 (the single limit for the cardholder)
- (2) multiple purchases of the same (or similar items) from different vendors made on the same day and the total daily cost exceeds the single purchase limit
- (3) different cardholders who report to the same Approving Official purchase the same or similar item(s) in a relative short time span (within several days) and the total requirement was known at the outset to exceed the single purchase limit. [REF 28]

AMC's basic premise with this is knowledge. If the requestor and/or cardholder knew that the needed item exceeded the single purchase limit and utilized the credit card, that action constitutes a violation and could cause revocation of the cardholder's card and all associated privileges. In all cases, if the item's price exceeds the single purchase limit, the requestor must initiate a procurement package to send to their respective contracting office for appropriate action. [REF 28]

Placement of the order with the vendor accepting the credit card for purchase of a supply item is subject to the following conditions:

- (a) the item must be immediately available for shipment and delivered within the thirty day billing cycle
- (b) the vendor must be advised that the purchase is tax exempt
- (c) shipping and handling charges must be in the total price, which cannot exceed the single purchase limit
- (d) vendor agrees to process the credit card charges after shipment is made and not before
- (e) vendor agrees to identify the cardholder on the packing slip and shipping label
- (f) vendor must include the term "CREDIT CARD PURCHASE" on the packing slip and shipping level. This requirement identifies to the receiving point, normally a warehouse, that no physical contractual document exists to cross-reference and locate on which they would indicate receipt and acceptance (i.e., a DD Form 1155).
- (g) all items must be delivered at the same time. [REF 28]

Over-the-counter purchases require the cardholder to retain the purchase card slip for their file. These items must also be immediately available. No backordering is allowed in this instance.

Regardless of whether a supply item is purchased telephonically or over the counter, if the item is nonexpendable (retains its identity in use) it must be reported to the respective Property Book Officer within an

established timeframe after purchase. Depending upon the item, the Property Book Officer may determine to issue a barcode label for future identification.

Purchases for services, while not involving the numerous steps outlined above for supply items, are conducted in similar fashion. All rules regarding pre-approval by the budget officer and Approving Official, the single purchase limit and the timing of the vendor processing the charge must be followed.

Regardless of whether purchases are telephonic or over the counter, supplies or services, the cardholder must inform the budget officer, either manually or through an automated system, of the actual amount spent on the purchase. The cardholder will then retain all documentation of the purchase for use in the end-of-billing-cycle reconciliation. [REF 28]

b. Accountability

As stated above, all cardholders must maintain records of all purchases. These records must include all data relative to each purchase and include all approvals prior to making any of those purchases.

At the end of each billing cycle, each cardholder receives their credit card statement and must:

- (1) review the statement for accuracy matching all requisitions with transactions billed
- (2) identify each purchase by its description
- (3) complete a "Cardholder Statement of Questioned Item" if incorrect charges appear on the statement
- (4) within five working days, certify the

accuracy of the statement by signing in the applicable space on the reverse side

- (5) forward to the Approving Official the original statement and all backups of monthly purchases. [REF 29]

The Approving Official also receives a credit card statement at the end of each month. Unlike the individual cardholder's statement, this statement provides all purchases made within the billing cycle by all cardholders designated to the particular Approving Official. Because the payment process is a timed event and rebates are offered by Defense Finance and Accounting Service (DFAS) for prompt payment, the Approving Official must, upon receipt of the statement, indicate the date of receipt at the top. Within five days, the Approving Official should receive his/her respective cardholders reconciled and certified account statements. The Approving Official is responsible to accomplish the following:

- (1) prepare an accounting back up sheet to accompany his/her statement detailing the complete accounting appropriation for each purchase along with the specific dollar amount of each purchase
- (2) ensure that only authorized cardholders made purchases
- (3) ensure all payment amounts do not exceed the single purchase limit for each purchase
- (4) verify with the budget officer that all disbursements and obligations have been recorded and deobligate any excess funds
- (5) ensure that the Finance Officer receives this consolidated statement by the designated cut-off date following closure of the billing cycle. [REF 29]

The designated Finance Officer will forward all consolidated statements to DFAS for payment. Upon receipt and verification, DFAS Vendor Pay reviews and examines all documentation for completeness and processes payments to the respective Bank(s) within fifteen days. DFAS Vendor Pay will also charge back to the Approving Official's fund cite any rebates for Prompt Payment or any interest charges incurred because of late or incomplete submission of payment documentation. [REF 29]

In August 2001, the CECOM community was advised that the credit card program was going paperless in an effort to meet the Department of Army goals with respect to that reform initiative. US Bank, the credit card servicing bank for the Army, developed the Customer Automation and Reporting Environment (CARE) system to provide a secure capability for cardholders to send and receive electronic data via the worldwide web and on US Bank's own system. The system has eliminated all paper-based activity associated with utilizing the card as a purchase vehicle. When a cardholder receives a requirement for purchase, the item's description, proposed price, and any other relevant data related to the specifics of the item are entered into CARE. The Approving Official then approves the item's purchase through CARE. The item is purchased and the cardholder annotates CARE regarding actual price paid and proposed delivery date, or if the item has been obtained locally, enters the actual delivery date. All data regarding the month's activity are available at any time to both the cardholder and the Approving Official. At the end of the billing cycle, neither the cardholder nor the Approving Official receives a hard copy statement from the bank. The

cardholder, at the end of the cycle, validates and verifies all purchases in the system. Once this action is completed, the Approving Official certifies to the accuracy and validity of all purchases made during the month. This data are then electronically transmitted to DFAS, who then remits payment to US Bank for CECOM's total monthly purchases. [REF 32]

The CARE system is used only for micro-purchase actions when the card is used for purchase. There is no automated system available for those few individuals who use the credit card as a payment vehicle. These cardholders still receive a hard copy monthly statement, prepare the backup accounting sheet, have their Approving Official certify the validity and accuracy of the monthly charges and hand carry that statement to the Financial Office for consolidation with any other paper statements for forwarding to DFAS for payment to US Bank.

Cardholders are responsible for safeguarding their cards. When not in use the cards should be kept in a locked filing cabinet or another secure means. They are to carry the card with them only when making a purchase and must ensure that the card is not made accessible to others. If the card is lost or stolen, the cardholder should immediately notify the bank and their Approving Official. The Approving Official, within five days of being notified, must submit a written report to the Activity Program Coordinator (APC) outlining the date of loss, the location where lost (if known) and the purchases made prior to the loss.

As with most other acquisition files, a complete audit trail of all purchases must be maintained. Requestor documentation, vendor qualification documentation, charge slips, delivery information and copies of statements must be kept for three years and are subject to an audit by the APC at any time.

2. Using the Credit Card as a Payment Vehicle

In conjunction with mandatory electronic funds transfer (EFT), mandated by the Debt Collection Improvement Act of 1996, imprest funds were eliminated 1 October 1996. DoD activities were directed to find alternatives to the imprest fund; i.e., the credit card and to maximize its use for micro-purchases. [REF 1] DoD considered it no longer necessary to maintain a cash reserve when activities now had the power to use their designated credit cards for their small incidental purchases. How does an agency streamline if a company/vendor does not accept the credit card. The simple answer, of course, is to find another vendor, but that is not always the right thing to do.

On 5 August 1997, the Acting Under Secretary of Defense (Comptroller) signed "Purchase Card Reengineering Implementation Memorandum #5: Accommodation Checks." This policy provided the vehicle to pay vendors when they would not accept the credit card. The guidelines provided for two types of checks: convenience checks and FedSelect checks each issued at no more than \$1,000.00. When initially instituted, waiver procedures existed for use of the FedSelect checks at a higher threshold. The responsibility for this program falls within the purview of the Resource Management area. [REF 33]

The FedSelect check program was discontinued on March 31, 2000 because it proved to be too expensive in that the seven-dollar (\$7.00) fee charged for each check was not offsetting the cost of administering the program. DoD continues to encourage use of convenience checks to pay those vendors who do not accept the credit card. [REF 33]

There are two drawbacks to the use of accommodation checks (more commonly referred to as convenience checks):

- (1) the Requiring Activity is charged a fee of two percent for every check written.
- (2) the cardholder is required to maintain succinct records of each use. This requirement is necessary because of the calendar year-end accounting necessary to provide the necessary reportable income form required by the Internal Revenue Service (IRS) to vendors who have been paid with the checks. DoD requires cardholders track every check payment to vendors so that at the end of the calendar year DFAS can issue the IRS Form 1099M. This is a miscellaneous form similar to the year-end forms 1099I and 1099D individuals receive when they earn interest and dividends, which are reportable for tax purposes. To date, the banks have no mechanism for collecting data on reportable income vendors receive as a result of the checks being issued by cardholders. The cardholder is required to submit to DFAS at the end of every calendar year a complete listing of every vendor paid with the check. This list must detail the vendor's name, address, tax identification number and the amount of each check. Upon receipt, DFAS then issues the 1099M tax reporting form to each vendor. [REF 34]

On 20 July 1998, Dr. John J. Hamre, Deputy Secretary of Defense, signed "Purchase Card Program Reengineering Implementation Memorandum #6: Streamlined Payment

Practices." This memorandum alerted all military departments and others to the continued need to streamline operations and reduce costs by use of the credit card. It cited that annually 4.6 million commercial invoice payments were made by DFAS and that, if the credit card were used as the method of payment, tremendous savings could be achieved. Dr. Hamre further noted that in January 1998, DFAS processed approximately 217,000 payments at or below the micro-purchase threshold. He directed Department-wide policy be developed by the beginning of the forthcoming fiscal year. This policy would mandate use of the credit card to pay for supplies and services valued at or below the micro-purchase level without regard to the contractual instrument. [REF 35]

In October 1998, the Principal Deputy to the Undersecretary of Defense complied with this direction and issued a Memorandum, "SUBJECT: Streamlined Payment Practices for Awards/Orders Valued at or below the Micro-Purchase Threshold." This policy mandated all actions under \$2,500.00 either be purchased by the card or paid for by the card. This relaxed previous policy and opened the door permitting the card to be used for payment for services under \$2,500.00. This policy statement initiated the distinctions in the card's use as a purchase and a payment vehicle depending strictly upon the dollar value of the action. This memorandum meant "all actions" in that it specified that the policy included both commercial and non-commercial items and included contracts, purchase orders, orders under task and delivery type contracts, orders under basic ordering agreements and calls against blanket purchase agreements. If not used, a written determination

is required at the Flag Officer, General Officer or Senior Executive Service level. This determination must state that the proposed vendor does not accept the card and must identify efforts that the contracting activity is taking to obtain sources that do accept the card for like purchases in the future. [REF 36]

By memorandum, dated December 4, 2000, the Director, Defense Procurement encouraged use of the credit card to place task or delivery orders under existing contracts, basic ordering agreements or blanket purchase agreements when those contracts include provisions authorizing this payment mechanism. [REF 37]

**a. Requiring Activity Roles and
 Responsibilities**

The Requiring Activities' use of the credit card for payment is likewise limited to \$2,500.00. The memoranda cited above opened new venues allowing Requiring Activities to use their credit card and/or selected check version to pay a contractor under an established contractual vehicle for services performed. Many times a cumulative award amount exceeds the micro-purchase threshold while particular line items in the designated contractual vehicle may not.

While the occasion to benefit from this avenue may not be often for the Requiring Activity, each use of the credit card minimizes costs to the Government and builds a stronger partnering relationship with the Contractor in that payment is received much quicker.

If the credit card is used by Requiring Activities for payment, the same rules and responsibilities outlined above apply.

b. Acquisition Center Roles and Responsibilities

FAR 13.3 designates that the card may be used for payments without any limitations to dollar amount. AFARS guidance supplements the FAR and specifically denotes utilizing the card for payments over \$2,500.00.

This guidance mandates any action exceeding \$2,500.00 to be directed to the appropriate contracting officer for award of a contractual vehicle. It provides the contracting officer with the flexibility to eliminate DFAS as the payment vehicle on that contractual instrument provided the Contractor accepts the Government credit card.

If the contracting officer elects this payment option, the individual selected to obtain a credit card must follow the same rules and regulations for establishment of the account as everyone in the Requiring Activities. An Approving Official must be chosen and that individual will also comply with the same rules and regulations as if using the card as a purchase vehicle. The big difference here is that the payments will exceed the dollar threshold stipulated for micro-purchases.

Actual credit card usage would not occur until supplies have been delivered or the services have been completed (much like the principles of the purchase function of the card). Unlike the purchase function of the card, using the card for payment does not eliminate the requirement for the Requiring Activity to generate an

acquisition requirements package, obtain certified funds and forward those documents to the contracting officer who obtains competition, unless sole source is justified, and prepares a hard copy contractual document. Distribution of the contractual document is accomplished with no copy to DFAS.

When the supplies are delivered or services completed, the cardholder is then free to call the Contractor and provides the credit card number.

Payment by this means expedites close out of those contractual vehicles as well as eliminates any unliquidated obligations.

c. Accountability on Both Sides

The procedures for end-of-month-billing cycle are the same for the payment facility as for the purchase for all parties: the Requiring Activity, the contracting office cardholder and the Approving Official with one exception. That exception is that the Contract Specialists/Purchasing Agents utilizing the card strictly as a payment vehicle are not required to enter data into MAPS or the CARE system. Their reconciliation process still remains a manual one with each accounting line transferred to a backup sheet for the hard copy Approving Official statement, which is hand carried to the Resource Management Office and then faxed to DFAS for the consolidated payment to the bank.

The accountability for nonexpendable property is enhanced because an actual contract for supplies has been written. A copy of this document is provided to the central receiving point and when deliveries are made, all property is receipted for and accepted. This ensures that

any nonexpendable supply item is immediately available to barcode for future identification as a piece of Government property.

E. CREDIT CARD PROGRAM ISSUES AND CHALLENGES

One of the primary challenges of the credit card program is the occurrence of misuse and fraud. A GAO report, dated 6 August 1996, indicated that concerns about systematic abuse have not materialized as a result of the cards being placed in the hands of program staff. [REF 38]

Now that the card is becoming more popular among the masses, it appears as though internal control and management concerns are escalating. In recent months, newspapers portrayed stories of fraudulent uses of the card.

One particular incident was reported in late Calendar Year 2000 when a GSA Contracting Officer was indicted on charges of converting public funds when she used the Government credit card to charge approximately 100 items totaling almost \$40,000.00. She pled guilty in U. S. District Court to using the card at clothing, shoe and jewelry stores, was sentenced to five years probation, six months in a halfway house with electronic monitoring, ordered to pay \$39,980.00 in restitution and mandated to disclose her felon status to future employers (she resigned from GSA during the investigation). [REF 39]

House Subcommittee Hearings were initiated when a General Accounting Office report identified five cases of cardholder abuse, several edging upon fraud, at two particular Navy sites. [REFS 40,41]

These types of abuses, the errors of few, impose harsher requirements on those cardholders who abide by the rules and regulations that accompany ownership. Following those two incidences, the Director, Defense Procurement and the Director, Purchase Card Joint Program Management Office issued the following regarding internal controls:

- a. On 5 July 2001, the Director, Purchase Card Joint Program Management Office, DoD Purchase Card Program, signed a memorandum citing fraud as the reason to mandate a span of control of Approving Officials to cardholders to be as few as possible (no more than 5-7 cardholders per Approving Official) in an effort to ensure that the monthly reconciliation process could be effective in highlighting these types of abuses with corrective and, if necessary, disciplinary action being taken immediately by this immediate supervisor. [REF 42]
- b. On 13 August 2001, the Director, Defense Procurement, signed a memorandum citing recent Congressional hearings on card abuse as the catalyst to ensure proper oversight and internal controls. This guidance again referenced the Approving Official as the first-line supervisor and the defense mechanism to ensure proper oversight. [REF 43]
- c. On 5 October 2001, the Director, Purchase Card Joint Program Management Office signed a memorandum requesting that the DoD Inspector General and the Director, DFAS formally include the purchase card system as part of the Operation Mongoose Fraud Detection Program. This Program was initiated in 1994 to provide active fraud detection/prevention to strengthen existing internal controls in DoD's financial management systems. In 1997, a request was made that the purchase card program be included and, in FY99, when the human

elements of this operation found no systemic problems with that program, further efforts were deemed unnecessary. This memorandum requests that the program be included once again. [REF 44]

The 1996 GAO report also confirmed that there is no effective system established for varying agencies to share stories of successes or failures regarding use of the credit card. They recommended that the Office of Federal Procurement Policy establish a site on one of the existing Government media sources to facilitate information exchange regarding the credit card. [REF 38]

While no specific span of control has as yet been mandated, but only recommended, for the administration of the purchase card program, the July 2001 GAO Report on misuses identified that the weak purchase card environment at the two Navy sites contributed to the ineffective controls. A large percentage of the population in both sites possessed cards (36% at the larger site and 16% at the smaller). The report further identified that one Approving Official was responsible for certifying monthly statements for seven hundred (700) cardholders. The large number of cardholders and broad span of control made it virtually impossible to maintain a positive control environment. [REF 41]

Card fees associated with the credit card program are a challenge faced by vendors willing to accept the Government credit card. All vendors pay GSA a one percent fee each quarter for sales off their GSA Schedules. Some agencies, such as the Air Force, add their own one and three-quarters percent industrial fee to purchases made off

GSA contractual vehicles. These fees added to the bank processing fees could result in a particular vendor paying more than seven percent in fees on a purchase price that is already discounted for government agencies.

The bank fee is a form of risk management for the banks as it covers non-payment or fraud. Vendors consider the high fees to certainly be warranted in the credit card industry, but do not consider them justified in the federal market as the Government does not bear private sector risks. The Government is the best customer the world has ever known. Joel Lipkin, senior vice president of sales and customer support for GTSI, an information technology vendor, stated,

The government credit cards are highly controlled and there are no issues of nonpayment or fraud. The fees need to be lowered. We can work on remarkably low profits, but not on no profit."
[REFS 45,46]

The interchange rate charged to vendors is a highly competitive rate and can range anywhere from one to six percent. The vendors should be shopping for the best rates. Mr. Bruce Sullivan, Director, Purchase Card Joint Program Management Office, advised this researcher that one particular discount club member merchant offers very competitive rates for small vendors on the credit card issued by their worldwide organization. [REF 19]

Another issue with the credit card program, at least from the buyer's perspective, is the apparent low threshold for the card's use as a purchase vehicle. While the \$2,500.00 single purchase limit may be sufficient for purchasing pens, pencils and miscellaneous items, many

program hardware and information technology item prices are higher. This low threshold limits Requiring Activities' abilities to meet critical mission needs, especially at weapon systems fielding sites or test facilities. No documentation to support how the \$2,500.00 limit was determined could be located, yet this researcher contends that the limit was tied to the then small purchase threshold of \$25,000.00 and that a simple ten percent figure was chosen. This threshold and small purchase limit suited the needs of the Federal Government in 1989 when the credit card evolved given the small purchase threshold.

In 1994 the Federal Acquisition Streamlining Act redefined small purchases renaming them simplified acquisitions and raised the threshold to \$100,000.00. Yet no one considered the impact of this change to the credit card program. On 25 July 2000, eleven years after initiation of the credit card program, Republican Roscoe G. Bartlett sponsored a bill to the 106th Congress to address this issue. This proposed legislation, the Small Business Federal Acquisition Simplification Act of 2000, proposed increasing the threshold for credit card usage to \$25,000.00 and in some instances, over \$25,000.00 provided certain conditions were met. FAR 13.003(b)(1), as currently written, exclusively reserves each acquisition of supplies or services between \$2,501.00 and \$100,000.00 as set asides for small business concerns. The proposed legislation failed to include language restricting those purchases to small businesses and those entities rallied strong opposition to the bill and it stalled in the Subcommittee on Government Management, Information and Technology. [REF 47]

F. SUMMARY

This chapter provided the reader with an understanding of how the credit card program started and how it has evolved. It described the issues leading to its initiation, most specifically the need for the acquisition community to reform its policies and practices. It reviewed the policies and procedures surrounding the program. Generic processes and controls concerning use of the card were addressed. It also outlined the generic steps program offices must take to make a purchase with the card and further outlined card usage by the contracting community as a payment vehicle. The final area examined some program issues and challenges.

Chapter III presents and discusses the results of the database examination and provides results of the surveys identified in the Introduction. Data from all three surveys as well as the database will be presented.

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III. METHODOLOGY AND DATA PRESENTATION

A. INTRODUCTION

This chapter contains the data collected via literature review, interviews, informal discussions and surveys. It presents data gathered by the researcher regarding the U. S. Army Communications Electronics Command (CECOM) Organizations, the CECOM Acquisition Center, the acquisition process before implementation of the credit card program, the process afterwards and the metrics/reporting of credit card usage. Lastly, it presents data gathered via three surveys (Cardholder, Approving Official and Industry).

B. METHODOLOGY

To collect and obtain the data necessary for this thesis, several methods were used. The initial phase involved a thorough review of existing literature concerning the credit card program. Government regulations, i.e., the Federal Acquisition Regulation (FAR) and its supplements, the Defense Federal Acquisition Regulation Supplement (DFARS) and the Army Federal Acquisition Regulation Supplement (AFARS) were reviewed. Additional documents reviewed included General Accounting Office (GAO) reports, theses from Naval Postgraduate School and other learning facilities, reports posted to the Department of Defense (DoD) Credit Card Program Web Site, and General Services Administration (GSA) publications relevant to the Program. The researcher reviewed magazine articles and other miscellaneous publications regarding users' experiences with this reform initiative. This literature review was conducted to provide a brief history

of the credit card program and to provide the researcher an understanding of the credit card program's implementation and usage within the Federal Government.

In addition, the CECOM organization and the Acquisition Center were reviewed in an effort to understand the acquisition process from requirements generation to award before credit card implementation and after implementation of the program.

In the next phase of the research, interviews and informal discussions were conducted. The Activity Program Coordinators (APCs) for the credit card program located within the CECOM Acquisition Center were interviewed to learn about the implementation of the program at CECOM Headquarters and to ascertain what local policies and procedures were in place for the conduct of the program.

Informal discussions were held with Contract Specialists, Purchasing Agents, and the Contracting Officers responsible for the majority of the actions subject to use of the credit card within the CECOM Acquisition Center to ascertain the extent of their use of the credit card. Each was queried regarding recommendations for the program within CECOM.

The next phase involved extracting data from CECOM's report databases. Multiple databases exist within CECOM to provide information to determine the impact of the credit card on the Acquisition Center's workload and how the procurement administrative lead-time was affected. Any changes in workload resulting from implementation of the program were examined and recommendations to improve

program efficiency were made. Data from Fiscal Years (FY) 1991 through 2000 were examined.

In addition to examining the databases, the researcher examined the metrics used for reporting the usage of the credit card at CECOM.

During the final phase, surveys were developed to enable cardholders, Approving Officials and industry counterparts to comment on the credit card program as implemented within DoD and, more specifically, CECOM.

A three-part cardholder survey assessed training obtained as a result of their being approved as a cardholder, asked about card utilization in their office and asked cardholders' assessment of the program at CECOM. Part one was designed to ascertain the extent of the training program offered at CECOM for this Program, both initially and subsequently. Part two asked cardholders about their experiences with vendors and sought information on how much time they spend a month performing credit card functions. The third portion afforded cardholders the opportunity to assess the program and to offer any recommendations they may have for improvement to the process. A copy of the survey is provided as Attachment A.

The survey issued to Approving Officials consisted of two parts. Part one was designed to obtain information on the training program developed for this designated official. Part two afforded the Approving Officials the opportunity to assess the program and to offer any recommendations for improvement to the process/program. A copy of the survey is provided as Attachment B.

A listing of all approved cardholders and designated Approving Officials was obtained from the CECOM Activity Program Coordinators (APCs). The surveys were electronically disseminated. Responses were received in the same manner from each respondent. Unfortunately, this method of distribution and response did not allow for autonomy of the respondent, but each was assured in the preamble instructions to the survey that responses would be kept confidential.

A third survey was issued to industry. The intent of this survey was to ascertain industry's perspective on the Government's usage of the credit card. These surveys were mailed to companies who have received awards placed through the Center's Base Operations Teams during Fiscal Years 1999 and 2000. In addition, company names and addresses were obtained from several Contract Specialists within the Base Operations area who had recently developed solicitation mailing lists for year-end buys. A third set of names and e-mail addresses was obtained from the systems automation team. This team maintains a running roster of companies registering to participate in reverse auctions over CECOM's web page. These companies were chosen because the implementation of the credit card program would have had the biggest impact on business with these firms because of the variety and types of supplies/services being purchased. The Base Operations teams award all information technology requirements for CECOM and the resident activities as well as all other base operating type efforts. A copy of the survey is provided as Attachment C.

C. REVIEW OF THE ORGANIZATION

The U. S. Army Communications Electronics Command (CECOM), Fort Monmouth, New Jersey is a major subordinate command of the Army Materiel Command, Alexandria, VA. The Fort Monmouth community is comprised of CECOM elements and Program Executive Officers (PEOs) reporting directly to the Army Acquisition Executive.

The CECOM mission, fully defined in CECOM Regulation 10-1, is detailed below:

To exercise life cycle integrated management, project management, and systems acquisition, including research, development, engineering, product assurance, fielding, testing, production, materiel acquisition, readiness, and integrated logistics support of assigned DOD/Army tactical strategic and sustaining base information technology; command, control, communications, computers and intelligence; electronic warfare; sensors (IT/C4IEWS) systems and equipment. [REF 48]

To fulfill this mission, the CECOM Fort Monmouth elements consist of the Commanding General and his staff (i.e., Resource Management, Personnel and Training, Legal, Corporate Information, Internal Review, Inspector General, etc.), the U. S. Army Garrison Commander and his staff (i.e., Department of Public Works, Transportation, Garrison Budget, Housing, etc.) and five Centers (Logistics and Readiness; Systems Management; Research, Development and Engineering; Software Engineering and Acquisition). In addition, this mission is supported by five PEOs: Command, Control, Communications systems; Intelligence Electronic Warfare and Sensors; Standard Army Management Information Systems; and Reserve Component Automation Systems and

Aviation. These PEOs are supported by a multitude of Program Managers who are physically resident at Fort Monmouth and are supported by the CECOM Commanding General, the Garrison Commander and their staffs.

Card usage expedites acquiring supplies and services needed for mission requirements, streamlines payment processes and, more importantly, reduces administrative costs associated with Purchasing Agents/Contract Specialists writing the more traditional paper based contractual documents. In addition to Contracting Officers having the right to bind the Government when they purchase, designated Federal Requiring Activity individuals are now empowered to purchase supplies and services under the \$2,500.00 micro-purchase threshold.

Another avenue available to Requiring Activities and the Contracting Officers for purchase/payment is the accommodation/convenience checks tied to the cardholders credit card account. These checks could be used in any instance where the vendor does not accept a credit card. These checks were discussed with the Contracting Officers in the Base Operations area. They indicated that a meeting in May 2000 had been held with the Resource Management Office, the responsible entity for the management of the check system. The Resource Management office chose not to proceed with this initiative. The senior manager there was concerned that their office would become a disbursing office and was not amenable to accepting responsibility for administering such a program for the Command. [REF 49,50] As noted in Chapter II, the cardholder issuing the check to the vendor is charged a service fee of two percent per

check. This fee comes from the Activity's direct operating budget, not from an overall account established for the Command. Another drawback noted in Chapter II is the administrative tasks associated with tracking payments to vendors so that at calendar year-end, the IRS Form 1099M can be prepared and issued to the vendors.

The organization within CECOM responsible for the management and oversight of the credit card program is the Acquisition Center. Since a task order against the GSA Federal Supply Schedule initiates action for any organization to become part of this acquisition reform initiative, it is logical that the office issuing the task order will be the responsible party.

D. REVIEW OF THE ACQUISITION CENTER

The CECOM Acquisition Center is headquartered at Fort Monmouth, New Jersey with primary subsidiary offices in Fort Huachuca, Arizona and Washington, D. C. There are several small remote offices in the U. S. and Overseas. The Acquisition Center provides acquisition services in support of Command, Control, Communications, Computers, Intelligence, Warfare and Sensors (Team C4IEWS), and the Army Signal Mission.

Within the Fort Monmouth Acquisition Center site, there are approximately 400 civilian employees. These employees are segregated into four Sectors, each led by a GS-15 Chief reporting to the Deputy Director who reports to the Director. There are three "buying" Sectors and one Acquisition Business Process Sector.

The buying sectors are responsible for the mission accomplishment of awarding contracts resulting from

requirements packages received from their respective customers. The Sectors are structured to support particular customers with overflow of common items in some. The Space and Global Communications Sector has four Customer Representatives and nineteen Contracting Officer teams supporting the following: Logistics Readiness Center (both at Fort Monmouth and Tobyhanna Army Depot); Project Manager, Military Satellite Communications; Project Manager, Defense Communications and Army Transmissions Systems; Project Manager, Tactical Radio Communications Systems; Project Manager, Soldier Program; Deputy Chief of Staff for Operations; and Project Manager, Avionics.

The Ground Communications and Technical Services Sector has four Customer Representatives and seventeen Contracting Officer teams supporting the following: Project Manager, Command and Control Systems; Project Manager, Warfighter, Information Network-Terrestrial; Systems Management Center and Command Technical Services (OMNIBUS Contracts).

The Battlefield Electronics Communications Sector has four Customer Representatives and twenty Contracting Officer teams supporting non-standard Foreign Military Sales; Base Operations; Project Manager, Common Ground Station/Signals Warfare; Research and Development Center; Project Manager, Common Ground Station/Aerial Common Sensor; and Project Manager, Combat Identification.

The Acquisition Business Process Sector supports these three Sectors and all remote locations by supplying services in the following areas: process change,

electronic initiatives, acquisition workforce development, business operations, monitoring and analysis and systems.

Each of the buying sectors also has an individual designated as a Joint Partnering Contracting Representative responsible for serving as the Center's primary point of contact with the major contractors with whom the Center has existing contracts. These include: ITT, Raytheon, General Dynamics, Motorola, Lockheed Martin and Litton.

Fort Monmouth has no post, camp or station Directorate of Contracting office. There is no Non-appropriated Funds (NAF) Contracting Office within the Center. All NAF purchasing is accomplished by one individual reporting to the Civilian Personnel Director at Fort Monmouth.

There is an Administrative Contracting Officer (ACO) within the Fort Monmouth Garrison who administers the real property maintenance contract for the Installation. The Acquisition Center awards the basic contract through competitive means and then the ACO within the Garrison contracting cell administers the contract throughout its life.

Of the fifteen (15) groups within the Acquisition Center all, except one, support mission requirements of the activities resident at Fort Monmouth. Within this excepted group, one team supports mission requirements while the remaining two support Base Operations, information technology, construction, and services requirements from all activities on the Installation.

Within the Center, distinctive procurement instrument identification numbers (PIINs) exist - DAAB07 for the

mission workload and DAAB08 for the Base Operations/computer support workload. The two groups operate as different entities while being part of the same Center. The primary research for this endeavor addressed the DAAB08 group, the area within the Acquisition Center where existing usage of the credit card was the highest and where increased usage has higher potential/advantages. This DAAB08 group, which from here on will be referred to as Base Operations, consists of two warranted Lead Contract Specialists, four Contract Specialists, three Purchasing Agents and one part-time Procurement Clerk.

E. ACQUISITION PROCESS BEFORE CREDIT CARDS

Prior to CECOM's implementation of the credit card program, any requirement received from any activity regardless of dollar value initiated a contractual action, requiring competition among a minimum of three sources unless the action resulted in an order being issued against an already existing umbrella contract or a GSA Federal Supply Schedule.

The acquisition process at Fort Monmouth originates when a Requiring Activity determines a need for a particular service or supply item. The activity with the need initiates an acquisition requirements package (ARP) to include a funding document. For the mission requirements, the Requiring Activity initiates the automated Procurement Work Directive (AMC Form 2110) in the Command Commodity Standard System (CCSS).

For the Base Operations requirements, Requiring Activities generate a DD 1348, Requisition For Supplies, or a DA 3953, Purchase Request and Commitment, for services.

At the outset of this research effort, the DD 1348 and DA 3953 were manually generated and delivered to the Acquisition Center for action. In March 2001, both funding documents were automated to comply with the Department of Defense's (DoD's) mandate for paperless acquisition. Service requirements are now generated through the automated requisition entry module developed by American Management Systems to interface with the Standard Procurement System. Every Requiring Activity with the exception of one utilizes this system to generate paperless requirements documents to the Acquisition Center. The supply requirements are generated through a U. S. Army Garrison, Fort Monmouth, automated system known as the Material Acquisition Processing System (MAPS). This is a unique Army Materiel Command (AMC) system used to control and manage the property books of all subordinate commands within that major command. CECOM has mandated use of this system for all supply requirements regardless of whether the item being purchased is accountable property.

Regardless of which form is utilized to initiate the procurement request, the process for all requirements remains the same whether an automated system is used or not (see Figure 5). Once the funding document is generated, it is forwarded to the Requiring Activity's budget office. Budget approval indicates that funds are available and a document number is assigned to enable ease of tracking through the acquisition cycle.

The requirement is then delivered to the Acquisition Center where competition is sought, an award is made, distribution of the award document is made to include the

Defense Finance Accounting Service (DFAS), the merchant delivers, the warehouse receives, the invoice gets submitted, the Purchasing Agent/Contract Specialist tracks payment to the vendor (if time permits), and, if the Agent/Specialist can verify the amount paid the vendor, the award document is closed. The time expended by the Acquisition Center to fulfill requirements from Requiring Activities that fell below \$2,500.00 often generated more costs to the Government than the purchase price of the item.

The one exception for an action being sent to the Acquisition Center would be if a delegation of authority or ordering officer approval exists for an activity outside the Center which would allow them to order from existing contractual vehicles; i.e., Blanket Purchase Agreements (BPAs), Indefinite-Delivery Indefinite-Quantity (IDIQ) Contracts, etc. The BPA contractual vehicles are very heavily used in the Base Operations area and, prior to implementation of the credit card program, were the only means of decentralization with the exception of the real property maintenance contract administration being conducted by the Garrison contracting cell. No ordering officers are designated for any of the IDIQ OMNIBUS contracts awarded by the Center.

BPA establishment is the responsibility of the Contracting Officers within the Base Operations teams. Their use is not widespread throughout Fort Monmouth. The primary users are the Department of Public Works and the CECOM Legal Office. All other entities within CECOM initiate their requirements and forward them, either

manually or electronically, through the process steps to the Contracting Officers for action.

An individual designated as an ordering officer could place calls against existing BPAs. This process would start upon receipt by the ordering officer of a properly funded purchase requisition from their activity. The only advantage to having an ordering officer was to the workload management of the CECOM Acquisition Center personnel. Having the designated ordering officer eliminated no steps in the acquisition process.

F. ACQUISITION PROCESS AFTER CREDIT CARD IMPLEMENTATION

After CECOM's implementation of the credit card program, any requirement received from any activity over \$2,500.00 initiates a contractual action, requiring competition among a minimum of three sources unless the action results in an order being issued against an already existing umbrella contract or a GSA Federal Supply Schedule.

The requirements generation process at Fort Monmouth is no different for actions received for the Base Operations area whether the item has a price of \$2,501.00 or \$2,500,000.00. Granted, the Federal Acquisition Regulation, as well as other rules, regulations and policies mandate certain procedures to be followed to effect these contractual actions, but the impact to the Requiring Activity is the same. They must generate a requirements package, gain all approvals and send it to the Acquisition Center for action. The credit card program eliminated that requirement for over 51,000 actions in Fiscal Year 2001 for all of CECOM. [REF 51]

CECOM implemented their interpretation of the credit card program in FY91 and issued authorizations for 33 cardholders to purchase at the micro-purchase level. Today, there are 586 authorized cardholders; 267 of which are physically resident at CECOM's Fort Monmouth site. Of the 267 cardholders on Fort Monmouth, 245 are employees of Requiring Activities authorized to utilize the card for micro-purchases (buys less than \$2,500.00).

Even though the program started in FY91, the Center did not start promoting its use until FY96. This is also the first year that any measurement data were maintained on usage of the credit card. The primary and alternate APCs were relocated from the Base Operations group to an acquisition management group in FY96 to track/administer CECOM's implementation of the credit card program. [REF 52,53]

Table 2 provides the total number of micro-purchase transactions accomplished by all CECOM cardholders from FY96 through FY01. These numbers represent the entire universe of CECOM, not just the Fort Monmouth site, the focus of this research. The primary purpose for inclusion was to give the reader an appreciation for the program growth throughout CECOM. [REF 51]

In FY96 the percentage of micro-purchase transactions awarded via the credit card was 84%, with that percentage increasing to 97% in FY99. [REF 54]

Fiscal Year	Total Micro-purchase Actions	Number of Cardholders	Average Actions Per Cardholder
96	19,427	326	59.59
97	17,215	282	61.05
98	27,661	564	49.04
99	34,042	586	58.09
00	37,492	612	61.26
01	51,380	655	78.44

Table 2. CECOM Use of Credit Card.
From: CECOM APCs

Research noted that the Acquisition Center was very slow to "get on board" with implementing the credit card. One of the key elements of the acquisition reform movement was the reduction of personnel. Due to that reduction, activities were encouraged to examine existing processes to identify streamlining efforts to minimize the impact of personnel losses. In an effort to learn if the credit card initiative of relegating purchase authority to Program Offices had impacted the workload of the Acquisition Center, the researcher reviewed the hard copy files of the Monthly Summary of Contracting Actions, DD Form 1057. This form reports all actions under \$25,000.00 and serves the same reporting function as the Individual Contracting Action Report, DD 350, for all actions over \$25,000.00. The difference is that the DD 1057 is an end of the month compilation of all actions awarded during the month and this reporting mechanism provides a breakdown by dollar

value of those actions. The researcher extracted data from the forms that provide a snapshot of contractual actions under \$2,500.00 awarded by the CECOM Acquisition Center since adoption of the credit card program.

Table 3 provides the results of that review and compares the contractual actions accomplished by the DAAB07 and DAAB08 areas of the Acquisition Center to the number of micro-purchases accomplished by the Requiring Activity cardholders at the Fort Monmouth site. [REF 55] This acquisition reform initiative, along with others, has enabled the CECOM Acquisition Center management to right size the organization without having to effect any reduction in force procedures. In 1991, the CECOM Acquisition Center employed approximately 1200 civilians; today there are approximately 400. Since 1996, in the DAAB08 area, personnel numbers were reduced from 33 Purchasing Agents/Contract Specialists to seven (7), the current number of Purchasing Agents/Contract Specialists. [REF 50]

The relationship between decreasing numbers of actions accomplished by the Acquisition Center personnel (DAAB07 and DAAB08 actions) and the increasing number of micro-purchases accomplished by Requiring Activities affirms that credit card usage has alleviated workload requirements for the contracting workforce enabling them to reduce their personnel in line with reductions taken by other activities within the Command.

Fiscal Year	Acquisition Center Actions (DAAB07)	Acquisition Center Actions (DAAB08)	Requiring Activities Purchases
92	483	5329	*
93	150	5636	*
94	101	5240	*
95	125	3734	*
96	109	2356	5,578
97	57	1456	10,171
98	54	564	13,893
99	46	431	12,991
00	45	219	16,671
01	29	131	27,643

Table 3. Number of Actions Under \$2500.
From: CECOM Databases *No data.

During the course of this research, the researcher discovered that credit card usage at Fort Monmouth is restricted to a purchase vehicle for items \$2,500.00 or less and to a payment vehicle for anything priced over \$2,500.00.

Every purchase with the credit card reduces DFAS payment fees from \$17.88 per line of accounting to \$6.21 creating savings for the individual activities. These savings help the users offset the costs of card administration. [REF 32]

The CECOM Acquisition Center is quite unique in usage of the credit card in that it has authorization for both uses. The following discusses the two uses within the Center.

1. Purchase Card Use

The Acquisition Business Process Sector is the single non-contracting sector within the CECOM Acquisition Center. This fact allows this sector to maximize card usage for any action under \$2,500.00 in the same manner as any other Requiring Activity would. In essence, this sector is another Requiring Activity supported by the remaining three contracting Sectors within the Center.

At the outset of this research effort, two individuals possessed a purchase card for the Center. One of these cardholders is a Purchasing Agent within the Base Operations area; the other, a Contract Specialist, GS-1102, in the Business Process Sector, the non-buying sector of the Center.

The Purchasing Agent is the ONLY cardholder on Fort Monmouth possessing both purchase and payment credit cards, maintaining and having to reconcile two separate accounts each month. During queries on this matter, the researcher discovered that Requiring Activities are not restricted to the number of cardholders in their organizations. They may request as many as they wish. But, each individual has only one card, one account and is responsible to only one Approving Official. This particular Purchasing Agent reports to two separate Approving Officials depending on which card is utilized.

The researcher examined the process implemented at CECOM for use of the purchase card. The steps outlined below are specific as they reference the Center, but verification of this process among outside users, validated

that this process exists for all Requiring Activities' usage of the card.

- Step 1: Requestor (from any of the buying sectors within the Center) completes a VISA Supply Purchase Request form, providing a description, unit of issue, quantity desired, unit price, total item cost and a source.
- Step 2: Form routed to Group Leader for signature.
- Step 3: Form given to the cardholder's Approving Official for purchase approval.
- Step 4: Form hand-carried to Center's Resource Management Budget Analyst for budget approval.
- Step 5: Form is carried to the 1102 cardholder in the Business Process Sector, who assigns a control number and he then hand carries the form to the Purchasing Agent in the Base Operations area.
- Step 6: The Purchasing Agent calls the source and places the buy.

Research of this process revealed that requestors from as far away as Fort Belvoir in Virginia (CECOM elements attached there) submit the original signed form to the Approving Official for the kickoff of the six-step process.
[REF 50]

Three cardholders within the Acquisition Center are located in the training branch within the Business Process Sector and, in compliance with the Under Secretary of Defense's direction of 1 October 1998, utilize the credit card to pay for all individual or group commercial training valued at or below \$25,000.00.

In early 2001, the Government Self Service Supply Center was converted to a contractor facility. Credit cards were issued to approximately fifty (50) new

cardholders at CECOM Fort Monmouth. Twenty (20) of these new cardholders are within the Acquisition Center. These cardholders are Procurement Clerks/Secretaries with card use restricted to the contractor facility, Office Depot.

2. Using the Card as a Payment Vehicle

As previously noted, a distinction tied to dollar value has been made for the card - used only as a payment vehicle for buys over \$2,500.00.

Three Contract Specialists and three Purchasing Agents hold payment credit cards. Two Contract Specialists are located in the DAAB07 mission area of the Center, while the third Contract Specialist and the three Purchasing Agents are in the DAAB08 Base Operations area.

An incident that occurred in the Base Operations area was relayed to this researcher for potential use in this effort. This researcher was advised that a particular vendor informed a Contract Specialist that he would accept the credit card for payment. The Specialist advised him she did not possess a card; therefore, she could not accommodate his request. Four (4) Contract Specialists/Purchasing Agents in this individual's area possess a credit card. The three (3) Purchasing Agent payment credit cards are rarely used.

The Contract Specialist within the DAAB08, in coordination with the Contracting Officer, initiated efforts during Fiscal Year 2001 to utilize the credit card as the payment mechanism for all Purchase Orders/Delivery Orders written for information technology requirements. This action has eliminated hours of administrative efforts

on this Specialist's part to track deliveries, invoice submissions and payments.

The Contract Specialist is aware immediately of any discounts given to the Government when the invoice is received and payment is made. This knowledge allows the Contract Specialist to issue a modification to the Purchase Order/Delivery Order reducing the contract amount to the actual payment amount, thereby eliminating unliquidated obligations before the dollars expire and are no longer available for adjustment. Prior to November 1990, expired accounts were available to finance valid obligation adjustments and disbursements for a period of two years after expiration. At the end of this two-year period, all unliquidated funds were transferred to the merged "M" account. The Fiscal Year (FY) 1991 National Defense Authorization Act (Public Law 101-510, 5 November 1990), Title XIV, Section 1405 directed a phased elimination of merged "M" account beginning on 5 December 1990 with total elimination on 30 September 1993. Unobligated balances were eliminated on 5 December 1990. This law also changed the availability of expired accounts from two to five years. Beginning with FY91 funds, all unliquidated obligations (ULOs) and unobligated balances are canceled five years after an appropriation expires. [REF 56] Knowledge of actual payment is an essential element to avoiding lost dollars.

Credit card payment permits immediate closeout of the Purchase Order/Delivery Order. Cycle time, the number of days from receipt of the requirements package to actual

date of contract closeout, for these actions has been reduced by as much as six (6) months. [REF 50]

G. METRICS/REPORTING

The next phase examined the reporting processes, if any, and the levels of credit card usage being reported if at all.

With every new initiative, measurements are a critical element for determining success or failure. Anticipating the establishment of some form of metric for this reform initiative, AMC issued a memorandum, dated 30 August 1995, informing its subordinate commands of their requirement to initiate quarterly reporting of credit card usage. [REF 51]

The FY 1998 National Defense Authorization Act reinforced the use of the credit card by including a requirement for the Secretary of Defense to ensure sixty (60) percent of all micro-purchases be made through streamlined procedures by October 1, 1998 and set ninety (90) percent as the goal to be met by October 1, 2000. This metric was defined by the Secretary in his 1998 Annual Report to the President and Congress as Goal 3. [REF 11]

In compliance with these reporting requirements, the CECOM Acquisition Center's APCs assumed responsibility for this metric and reporting. They receive a quarterly bank run which delineates all credit card actions under \$2,500.00. At the conclusion of every month, the DAAB08 Base Operations area submits a listing to the APCs of all actions awarded under \$2,500.00. This listing is drawn from the Standard Procurement System, the automated system used by the DAAB08 teams to award their contractual

actions. For the DAAB07 mission teams, the APCs receive a report from the Center's Monitoring and Analysis Branch listing the total number of actions awarded under \$2,500.00 for the quarter. The APCs count the total number of actions under \$2,500.00 and calculate the percentage of those actions awarded using the credit card.

By the end of Fiscal Year 1997, CECOM credit card users had accomplished ninety-three (93) percent of all actions under \$2,500.00 by using the card. This percentage continued to increase and by the end of Fiscal Year 1999, CECOM was maintaining a ninety-seventy (97) percentile.

AMC had established a goal of 91% for both transactions and dollars for FY99. The researcher reviewed the Army Materiel Command's site rollup for micro-purchases for FY99. The majority of the AMC subordinate commands were maintaining high percentages in both transactions and dollars. CECOM had the lowest percentage in the number of transactions (97%) and in total dollars (96%) of the five subordinate commands reported. Review of the rollup revealed that all reporting commands remained consistent or increased their percentages of usage throughout FY99 with the exception of CECOM. While transactions were consistent, the percentage of dollars decreased. [REF 54]

In compliance with a May 18, 1999 Office of Federal Procurement Policy Memorandum, AMC ceased reporting micro-purchases. This memorandum directed agencies to not report them as they realized that the General Services Administration (GSA) was also reporting these actions. Therefore, FY99 was the last year any metric reporting data

were maintained by CECOM for this reform initiative. [REF 57]

H. CARDHOLDER SURVEY RESULTS

A composite listing of all cardholders, specifying their individual monthly limits, their organizations, office symbols, phone numbers and Approving Official's name and phone number was provided by the APC.

While each has a single purchase limit of \$2,500.00 or less, the monthly limits range from \$500.00 to \$300,000.00. The monthly limits are determined by the Approving Official and are established with the Bank by the APC. These limits are based on the needs of the Activity and the spending profile of each cardholder. Since the listing provided this data, there was no need to ask for this information in the particular survey. The result of the review of the listing indicated the monthly levels as shown in Table 4. The percentage represents the total cardholder population.

AMOUNT	PERCENTAGE
Under \$2500	19
\$2,501 - \$4,999	5
\$5,000 - \$9,999	16
\$10,000 - \$19,999	26
\$20,000 - \$29,999	17
\$30,000 - \$39,999	3
\$50,000 - \$99,999	9
\$100,000 +	5

Table 4. Monthly Transaction Limits.

Surveys were sent electronically to the 267 cardholders physically located at Fort Monmouth. Thirty-four (34) responded for a twelve (12) percent response rate.

The survey comprised three parts, Training, Card Utilization in Your Office and Assessment of the CECOM Credit Card Program, for a total of twenty-one questions. It was formulated by the researcher to obtain cardholder specific information regarding the credit card program. The first part sought information on the types, duration and content of training the cardholder received in preparation of card receipt. The second part requested inputs on actual card utilization to ascertain any unique processes invoked by the individual offices to facilitate usage of the card. Part three asked participants to assess the existing credit card program and to rate the program on a scale of one to ten with ten being excellent.

1. Training

The intent of this section was to determine if the required training was being conducted, how it was being conducted, the content of the training, if the training adequately prepared individuals to be cardholders and if they had received follow-up training. Finally, the cardholders were asked if the training could be improved.

Question 1. How many hours of credit card training did you receive prior to becoming a cardholder?

Results. Ninety-seven (97) percent of those responding answered this question. The hours of training ranged from as few as one to as many as twenty-four. Ten (10) percent responded that they had attended GSA-sponsored

formal credit card training either in a 2-day session or a 3-day session. The ranges of training are displayed in Table 5.

As displayed below, the majority of cardholders received eight hours with four hours as the close second.

Number of Hours	Percentage (%)
1	6
1-2	6
2	9
3	3
4	17
6	3
8	26
10	6
12	6
16	9
20	3
24	6

Table 5. Cardholder Training Hours.

Question 2. What type of training did you receive?

Results. Eighty-six (86) percent were trained locally by the Installation. This individual responsible for the training is the Activity Program Coordinator. Eleven (11) percent received formal training through GSA either in 2-day or 3-day sessions. Eleven (11) percent, in addition to the local training, availed themselves of on-line training.

Others were trained by the following various methods: video, contracting officer representative course, and training by installation personnel at former work locations.

Question 3. What was the content of the training you received? (please check all that may apply)

- Background of the Government Credit Card Program
- FAR/DFARS Regulations governing use of the credit card
- Safeguarding the credit card
- Unauthorized use of the credit card
- Your liability as a credit card holder
- What to do if your card is lost or stolen
- Record keeping and retention requirements.

Results. Seventy-two (72) percent indicated that their training content covered all seven areas noted above. The remaining twenty-eight (28) percent responded with varying degrees of content while one hundred (100) percent of the remainder stated that they had received training regarding the unauthorized use of the card. Only eleven (11) percent of those remaining responded that they had been trained in the FAR/DFARS regulations or in their liability as a credit card holder.

Question 4. Did the training you receive adequately prepare you for the duties of cardholder?

Results. Eighty-one (81) percent responded affirmatively to this question. The remainder provided the following comments:

- Use card for payment; could use training that focuses on this particular use.

- Credit card training separate from MAPS; practically one and the same. Greatest source of training, especially record keeping was OJT by more experienced cardholder.
- It did not cover how much time I would be spending managing the process.
- Length of training was not enough. Learned a lot through trial and error.

Question 5. Have you received follow-up training?
Yes/No.

Results. Fifty-one (51) percent of those responding indicated that they had received follow on training while forty-three (43) percent indicated none had been received. Six (6) percent provided no response.

Question 6. Do you feel the training can be improved?
Yes/No. Please explain.

Results. Eleven (11) percent failed to respond to this question. Fifty-four (54) percent responded, "Yes" to this question. Of those, thirty-two (32) percent offered no recommendations for improvement. The remainder suggested follow-up training, more one-on-one sessions and providing written instructions to them. Thirty-four (34) percent replied negatively to this question yet seventeen (17) percent provided a comment that mandatory follow-up training would be beneficial.

2. Card Utilization in Your Office

Question 1. Has your office published written procedures that must be followed when making a credit card purchase? Yes/No

Results. Fifty-five (55) percent responded yes; thirty-four (34) percent responded no and eleven (11) percent provided no response. Of the thirty-four percent responding negatively, seventy (70) percent indicated that their offices utilized the instructions provided by the APC and felt no further guidance was necessary.

Question 2. Do the vendors that you deal with readily accept the credit card? Yes/No. If no, please explain.

Results. Six (6) percent of those responding provided no response to this question. The remaining ninety-four (94) percent all responded positively with one comment offered. That comment was from a cardholder who used the mechanism strictly for payment purposes and the individual indicated that the vendor wants the card number up front.

Question 3. If the selected vendor will not accept the credit card, do you:

- search for another vendor
- prepare the required exception waiver and submit the requirement to the buying office
- cancel the requirement
- have another plan of action. (Please explain.)

Results. Twenty (20) percent provided no response to this question. Of those responding, sixty-three (63) percent indicated that they search for another vendor. Ten (10) percent of those indicated that if they cannot locate another vendor, they proceed with preparing the required exception waiver and submit the requirement to the Acquisition Center. Of the eleven (11) percent responding that they had another plan of action, only half indicated

what their alternative strategies were. One option presented was the use of non-appropriated funds.

Question 4. What criteria are used to determine what items get purchased using a credit card (i.e., dollar amount, type of item, urgency of need) and who makes the decision to use the credit card?

Results. Eighteen (18) percent did not respond to this question. Of the eighty-two (82) percent that did provide an answer, the primary criteria used by forty-three (43) percent was the dollar amount. Only seven (7) percent responded that urgency of need was their deciding factor for using the card. Twenty-one (21) percent responded that they use the card strictly for office supplies. Four (4) percent responded that their criteria were if the Contractor accepted the card.

As for who makes the decision, fifty (50) percent of those responding provided no answer to the second part of the question. Of those who did, twenty-two (22) percent indicated that the Approving Official was the decision authority, while fourteen (14) percent indicated the Director, Deputy, Supervisor or Top Management. Seven (7) percent of the cardholders made the decision.

Question 5. During a normal month, how much total time do you spend making micro-purchases with the credit card? This includes time spent on the telephone or face-to-face with vendors making the actual purchases.

- less than 5 hours/month
- between 5-10 hours/month
- 10-20 hours/month

- over 20 hours/month; how much?

Results. Nine (9) percent did not answer this question but the majority did provide reasons for not doing so - they used the card as a payment vehicle and were not theoretically making actual purchases.

Less than 5	29%
Between 5-10	29%
10-20	24%
Over 20	9%

Table 6. Hours Spent on Micro-Purchases Per Month/Percentage of Cardholders.

Question 6. Given the time noted above, how many actions (on an average) does this time entail?

Results. Seventy-three (73) percent provided a specific number or range of number of actions they accomplished each month by using the card. The answers ranged from two (2) purchases a month to one hundred twenty (120) per month.

Question 7. Other than making the actual purchases, how much time do you spend during a normal month on other related activities involving the card, such as statement reconciliation, error corrections, problems/disputes, etc?

Results. Of the ninety-one (91) percent responding to this question, fifty-two (52) percent indicated they spend less than three (3) hours a month on other activities. Twenty-nine (29) percent indicated they expend between 5-10

hours while nineteen (19) percent responded they spend anywhere from 20-40 hours a month.

3. Assessment of the Credit Card Program

Question 1. Do you consider the current CECOM Acquisition Center credit card instructions (handbook) to be adequate and that they fit your needs? Yes/No. Please explain.

Results. Seventy-six (76) percent responded positively to this question. Several stated that it contained information they could refer to at a later date. Fifteen (15) percent replied no. Several of these no responses were because the cardholders were using the card strictly as a payment vehicle; others do not remember ever having seen the handbook.

Question 2. Is your purchasing limit of \$2500.00 per transaction:

- too high
- too low
- just right? Please explain.

Results. Nine (9) percent considered their limit too high, one respondent particularly noting that the limit has proven too high in light of abuse in articles recently read in newspapers. Thirty-two (32) percent considered it too low and many of those responding stated that their positions were in Project Manager shops where mission delays were being experienced due to the low limit. But fifty (50) percent considered the limit just right for their needs.

Question 3. Do you believe the credit card program has improved or hindered the small purchase process within CECOM? Please explain.

Results. Seventy (70) percent responded positively in that the program has improved the small purchase process within CECOM. Comments shared with the researcher are noted below.

- Definitely improved!! I was around when everything was done through Small Purchases and it took forever.
- Proven to be an additive as far as tracking dollar amount; timeframe items were purchased; how many times per month/year that a particular item had to be purchased.
- Greatly improved the speed of purchasing.
- FAR faster and easier than old purchase request method. More opportunity to comparative shop, negotiate and deal with vendors. Time from orders to delivery is about 300% shorter.
- Less people and lower grades now making purchases. Saves time and money.
- The process is more streamlined; easier to accomplish and we get products quicker!

Fifteen (15) percent provided no response and fifteen (15) percent stated they felt the program has hindered the small purchase process. Comments shared with the researcher with regards to hindrance are noted below.

- I purchase office supplies. It was so much easier when we had the little red cards with a visible running balance and financial management did the "accounting" part of this.
- One of my vendors, in the past when contract was used, sent monthly invoices with names and costs. Now, no invoices are sent. I have to wait for

statements to find out cost of shipment of packages.

- Time intensive to use card and reconcile.
- Depends on perspective. I would think less burdensome for the Budget Analyst, but MORE work for the credit card holder. Using office supplies as an example, in the past, I could take our debit card, go to self-service supply store, fill our office supply needs and be out in a few minutes. Now, every item has to be entered, approved and reconciled into an automated system. Then an overall approval at the end of each billing cycle is accomplished through another automated system.

Question 4. Have you experienced problems using the credit card?

- None;
- Sales tax charged;
- Vendor acceptance;
- Either individual or monthly limit too low;
- Other.

Results. Many of the responders admitted they had encountered several of these problems. The results are displayed in Table 7.

None	49%
Sales tax charged	17%
Vendor acceptance	11%
Individual or monthly limit too low	20%
Other	14%
No response	3%

Table 7. Percentage of Cardholders Experiencing Various Problems with Card Usage.

Those responding to "Other" offered the comments below.

- Systems changes and down time are problems.
- Credit card denied on several occasions. Our activity has some unique needs. These problems are fairly easily resolved.
- Less resistance would be nice.
- One company double-shipped an order. Getting it straightened out was troublesome.
- Certain merchants are filed under a category that is outside what is approved under our authority. Created extra paperwork and loss of time.

Question 5. Are there any program restrictions (i.e., do not buy list, your purchase limit) that you feel hinder the effective use of the credit card within your office? Please explain fully.

Results. Fifty-four (54) percent responded there are no program restrictions that hinder their effective use of the card. Comments provided by the remainder on what they felt hindered their effective use of the card are shown below.

- Encounter problems with co-workers. They think cardholder decides what she can and cannot order.
- Daily purchase limit.
- Limit too low for mission/office needs.
- Vendor merchant codes.
- Rotating vendors.
- Mandatory government sources.

Question 6. Do you feel that the credit card program saves your office time and money? Please explain fully.

Results. Sixty-two percent responded favorably with explanations as shown below.

- In the past our only way to purchase items needed on a quick reaction basis was through our support contractor. This entailed an additional fee for their efforts, making the purchases more expensive than if ordered directly by the Government.
- Can buy from my desk without leaving the office.
- Speeds up purchase process by not having to process through normal procurement channels or through one of support contractors. Results in much faster receipt time for items.
- Admin time drastically reduced. Save money based on surcharge that DFAS pays out when they cut individual checks/vouchers. Now we pool our resources and issue one larger transfer at the end of the month to cover the charges incurred
- No doubt. The time it used to take, and the number of people involved for relatively small dollar value items was exorbitant. Now these purchases are handled quickly and efficiently.
- I think the time element has been shifted mainly to the credit card holder. While budget personnel still have their oversight/involvement, the process has been streamlined to a large extent, for their benefit. Even now with CARE program requirements, budget personnel aren't involved.
- Man-hours are saved with this new acquisition process; this allows me to do my job more often.
- Going through the old system can take months to receive items needed. Plus, less people are spending less time to make purchase.
- YES. Incredible amount of time is saved. Couldn't even begin to estimate how much. By using local vendors, being able to make personal contact with vendors, negotiate cost, delivery charges, etc. quite a bit of money is saved
- When I use it for paying, it saves me and the Customer time.

Twenty-nine (29) percent responded with a definite "No" or provided comments displayed below.

- Saves me time in way I do not have to do a PO. I can make phone call instead of going personally, but the paperwork that we have to do defeats the purpose. I spend sometimes more time in paperwork and the MAPS system, CARE etc.
- NO, I DO NOT. The stuff in that store costs way more than our old supply store and the only time saving that is saved is shopping time because of the system the Contractor has developed. We still have to enter these purchases into the CARE system and then approve it and close it out. I feel like I am doing accounting work.
- NO. It was much quicker to buy supplies through the Government-operated Self Service.
- Time yes; money no. Office Depot prices are much too high.
- I feel it saves times but NOT money. We have to shop at certain places first and their prices are normally higher than items in a regular store.
- For office supplies and buys under \$2500, Yes. For critical higher dollar items, absolutely not.

Question 7. Are there ways to improve the credit card program at CECOM? Yes/No. Please explain fully.

Results. Sixty-two (62) percent responded "yes" and offered their ideas for improvement. Most of the ideas referenced increasing the micro-purchase threshold, increasing the daily limit, eliminating MAPS and allowing offices to buy supplies more competitively.

The twenty-four (24) percent responding "no" either offered no comments or stated they were satisfied with the program. Fourteen (14) percent left this answer blank.

Question 8. Rate the CECOM credit card program on a scale of 1 to 10.

Excellent	Good	Average	Poor	
10-9	8-6	5-3	2-1	Score: ____

Results. Ninety-one (91%) percent provided a rating for the credit card program at CECOM. The percentages of individual ratings follow.

Excellent	Good	Average	Poor
10-9	8-6	5-3	2-1
8/23%	20/59%	3/9%	0/0

The mean rating for the program was 7.39.

Additional Comments. Several cardholders provided additional comments as follows:

- I just don't get paid enough for the aggravation this card brings to my life. Adds to work stress, deadlines and MATH!
- Being a cardholder is 'other duties as assigned for me.' Since I first started using the card around 1998, the do's/don'ts and reporting requirements seem to be increasing all the time.

I. APPROVING OFFICIAL SURVEY RESULTS

There are a total of 140 Approving Officials designated at Fort Monmouth. Thirty-three (33) responses were received for a response rate of twenty-three (23) percent. Surveys were electronically distributed by the researcher in an effort to ascertain their perspective, as being supervisors or included in the management chain of most offices, of the credit card program. This survey consisted of two parts: training and assessment of the credit card program.

Of those surveyed, three provided responses that they were no longer Approving Officials: one individual retired in March 2001, another moved to another position out of the organization to whom he was assigned when designated an Approving Official and the last indicated he had not been an Approving Official for at least two years.

1. Training

Question 1. How many hours of training did you receive prior to being appointed an Approving Official?

Results. The responses to this question ranged from no training (7%) to eighteen (18) hours of training (3%) with twenty-seven (27) percent indicating they had received two (2) hours of training, twenty (20) percent had four (4) hours of training, and seventeen (17) percent had one hour of training.

Question 2. What type of training did you receive?

- Video
- Local training by Installation Personnel
- Formal training (i.e., GSA, ALMC, etc.)
- Other

Results. While several responders indicated they had been exposed to multiple types of training, the predominant percentage, ninety-three (93) percent, indicated that the only training they had received was the local training by installation personnel (APCs). As with Question 1, three (3) percent indicated they had received no training prior to being appointed an Approving Official.

Question 3. What was the content of the training you received? (please check all that may apply)

- Background of the Government Credit Card Program

- FAR/DFARS Regulations governing use of the credit card
- Safeguarding the credit card
- Unauthorized use of the credit card
- Your liability as a credit card holder
- What to do if your card is lost or stolen
- Record keeping and retention requirements

Results. Thirty (30) percent indicated that their training content covered all seven areas noted above. The remaining respondents answered with varying degrees of content with no one element identified any more than any other. One respondent actually inserted another option for this question and indicated that he was taught how to approve the monthly bill only.

Question 4. Do you feel the training was adequate to prepare you for the duties of Approving Official? Yes/No. If no, where do you feel improvements are needed?

Results. Eighty (80) percent responded favorably to this question. Of the twenty (20) percent who responded "No", all offered comments are set forth below.

- Further training was promised, but never occurred.
- Should not have been permitted to be an Approving Official until training was completed.
- The training was geared towards purchases under \$2500 and the paperwork process was never explained. I am an Approving Official for individuals who pay with the card.
- More of the items listed in Question 3.
- More details as to the liability of the credit card and the reconciliation process required each month.

- More in-depth explanation of the process.

2. Assessment of the Program

Question 1. How many hours per month do you spend on credit card activities?

Results. Responses to this question ranged from no time to as many as forty (40) hours. Thirteen (13) percent spend less than one hour per month, fifty-seven (57) percent spend between 1-5 hours and twenty (20) percent spend either 8 or 12 hours a month on credit card activities.

Question 2. Are the current credit card guidelines issued by the Acquisition Center adequate?

Results. Eighty (80) percent responded, "Yes". Seventeen (17) percent replied "No" but several offered comments. One comment offered was "I didn't realize we had guidance on them."

Question 3. Has your organization issued written guidelines regarding implementation of the credit card? Yes/No.

Results. Fifty-seven (57) percent responded "No" or "not sure." Seven (7) percent failed to provide any response to this question.

Question 4. Do you require approval prior to purchases being made? Yes/No. If yes, please explain what you do.

Results. Seventy-seven (77) percent responded that they require approval prior to purchases being made. One Approving Official indicated that the cards issued under his purview are for payment only. Another indicated that

the limits are predetermined. The majority of those responding affirmatively indicated that they simply review each purchase before it is accomplished, reserving the right to reject any purchase not complying with the rules and regulations governing use of the card.

Question 5. How do you ensure cardholder purchases are authorized and in accordance with the Federal Acquisition Regulation and the CECOM SOP?

- Reconciling cardholder statement with your monthly statement.
- Verifying purchase requests in cardholder files with appropriate document register
- Other.

Results. Fifty-three (53) percent responded that they employ both of the first two options outlined above with ten (10) percent of those indicating an additional method of checks and balances. Twenty (20) percent indicated they comply by accomplishing the first option and ten (10) percent of that twenty (20) percent indicated they have an additional method of checks and balances. One Approving Official responding to the first option was unsure of the intent of the second method outlined above stating that he was an engineer, not an accountant. Thirteen (13) percent responded to the second option. Ten (10) percent provided no responses to the first and second options, but provided information for "Other." One Approving Official answered this question with the word "unknown" and several others made comments such as "full trust in cardholders" and "cardholders trained, so I rely on their judgment."

Question 6. Do you feel the credit card program is saving your activity time and money? Yes/No. Please explain.

Results. Seventy-three (73) percent responded, "Yes" to this question. Most admitted that it does save time and money due to the automation and it is simply a fast easy way to make small purchases allowing for quicker receipt of needed items and enabling the cardholders to seek competition. The remaining comments are provided below.

- Eliminating DFAS is a plus.
- We are empowered to fulfill our requirements much more efficiently and quickly.
- We do not spend \$100 or labor time to make a \$20 supply purchase. We also don't have to waste time in non-value added bureaucratic processes for small equipment/furniture purchases. We can buy efficiently with the card.
- Much faster and easier than going to Base Operations for all small purchases.
- Cuts bureaucracy and time to make purchases. Makes it easier for merchants.
- Items can be requested, certified for funds, approved and purchased in 1-2 days. This streamlined process saves the Acquisition Center resources that are put to better use on more complex and probably more critical requirements.
- Saves time by not having to go to multiple sources, easy and fast to order by phone or internet, web-based billing fast and easy.
- Time savings are considerable, allows us flexibility to deal with short fused customer requirements. Office Personnel seek the lowest available prices so I believe we are also saving money.

Twenty (20) percent responded "No" to this question. Most admit that it is easier to buy things, but that the paperwork has increased tremendously; therefore, time is not being saved in that respect. Other comments are provided below:

- Supplies seem to cost more since CECOM moved to the credit card system and contracted with a commercial supplier. In addition, numerous iterations of the software and training for them have added time to both cardholders and Approving Officials' duties.
- I am not trained in this area and it takes time away from my primary job. Let the money people do the money thing, like the old days.
- The new CARE system is creating more work in most cases. The bank is taking too long to remove old credit cards from my records. A credit card that was closed due to fraud by an external individual remains on my account causing my cardholders to continue using manual/hard copy documents to close out each month. Old and fraudulent cards should be removed from the system immediately.

Question 7. Do you believe your activity has implemented safeguards to prevent procurement abuses with regard to use of the credit card? Yes/No. If yes, what safeguards and controls are used by your activity? If no, what controls would you recommend?

Results. Eighty-seven (87%) of the Approving Officials replied, "Yes" to this question. The majority replied that they approve all purchases prior to any action being taken to procure and they review the monthly statements of all cardholders. Some have more elaborate systems in place with continuous review during the month of all records. Unique responses to this question are set forth below:

- As Approving Official, I review the Standard Industrial Classification list before purchases are made.
- SOP requires that each purchase be approved by a supervisor and then provided to the Approving Official to review the purchase to make sure it is proper use of the credit card.
- Credit card is secured in a locked location and is not utilized without prior approval.
- Well-trained credit card holder and reviews by the credit card approver.
- Preapproval and correct ID of proper Approvers.
- Cardholders, for the most part, are procurement coordinators who understand procurement regulations. Others are "watched" by these procurement coordinators who guide them in proper procedures.
- Supervisory review.
- Equipment manager oversight.

Thirteen (13) percent answered "No" to this question but failed to provide any input on the type of controls they would recommend.

J. INDUSTRY SURVEY RESULTS

Surveys were issued electronically and through the postal system by the researcher to 223 industries. The researcher obtained a listing of all contractual actions awarded in Fiscal Years 1999 or 2000. This listing included the firm's address as indicated on the award document. In addition, the researcher mailed surveys to firms expressing interest during the final quarter of Fiscal Year 2000 or the first quarter of Fiscal Year 2001 in upcoming requirements in the Base Operations area. Forty-four (44) responses were received for a response rate of nineteen (19) percent.

Question 1. Has your company accepted the Government credit card either (1) for purchase of items and/or (2) as a payment mechanism under an existing contractual vehicle with an office of the Department of Defense? Yes/No. If no, why not? (please explain)

Results. Fifty-six (56) percent responded "Yes" to this question with forty-four (44) percent responding "No." Those responding "No" were asked to explain why not. Some reasons given follow.

- NOT AWARE OF CREDIT CARD PROGRAM.
- High fee (3 ½ %)
- Never had the opportunity, but are willing to.
- We have not had any business transactions with this agency.
- The nature of our work made it impractical.
- I must sign up.

Question 2. If yes, were any of those purchases or payments the result of activity with organizations within the CECOM Fort Monmouth community? Yes/No.

Results. Of the fifty-six (56) percent who responded to "Yes" in Question 1, fifty-two (52) percent indicated that their credit card actions were the result of activity with organizations within CECOM.

Question 3. If yes to either 1 or 2 above, what factors were relevant in your company's decision to accept the Government credit card?

Results. Of the fifty-six (56) percent responding affirmatively to Question 1, one hundred (100) percent provided a response to this question. Fifty-two (52) percent responded in some regard as to the ease and

timeliness of payments. The following additional comments were provided.

- Accepting the card is one tool for us to increase sales.
- Primary business is small purchases with DoD via credit card.
- Corporate office authorized acceptance of credit cards 3 ½ years ago.
- Amount of business with Government.
- Only way to sell into some offices.
- It is what the customers want.
- Expedites closeout of delivery orders.
- Government credit card offered as only means of payment.
- Required by GSA Contract.
- Additional sales with already established Government contacts.

Question 4. What advantages did you find with this acquisition reform initiative?

Results. Forty-four (44) percent responded to this Question by indicating quick payment to be the primary advantage to them with twenty (20) percent responding that they considered the elimination of invoicing to be the key advantage for them. Others offered very different advantages as noted below.

- Did not have to wait anywhere from 35-100 days for payment through the normal DFAS Office route.
- Allows us to be in business. We would not be able to offer terms to Government because the payment structure through DFAS is too slow.
- No chasing DFAS for payment.

- The customer found us from our website and placed the order from our quote. Product was on GSA schedule by our supplier.
- Eliminates lengthy collection process.

Question 5. Did you find any disadvantages with this reform initiative?

Results. Thirty-six (36) percent of those responding affirmatively to accepting the credit card indicated they found no disadvantages. Eight (8) percent responded that bank fees were a disadvantage and twelve (12) percent indicated that the limits on the cards were too low. Others offered the following responses.

- Smaller order size.
- Sometimes margins are too slim to allow for the bank charges on the credit cards.
- Loss of relationship with the Contracting Officer.
- Payment authorization process was complex. Credit card charge was 4% - too high.
- Commands requesting invoices; holding credit card numbers.
- Lower profit margin due to GSA schedule prices being so low. Our supplier sent us a commission that was much lower than most orders.
- Costs to the vendors. Speaking to several large businesses that have accepted the card, they quote 4-6% of the costs paid to financial institutions - all of that comes out of profits.
- Lack of use.

Question 6. Do you have any recommendations for improvement to the DoD Credit Card Program?

Results. Of those who have had exposure to the Credit Card Program, twenty (20) percent offered no

recommendations for improvement and twenty (20) percent provided no response to the Question. Those remaining provided responses which primarily addressed increasing the cardholder limits and reducing the bank fees. Specific comments made by those responding follow.

- Cardholders should be required to provide Purchase Order number/order reference number to vendor. This will help in future order/warranty tracking. Cardholders should give preference to local vendors.
- Make it mandatory. Eliminate Purchase Orders.
- Purchasers should not hold invoice 30+ days and then give credit card.
- Incentivize (financially) vendors to use it because as it stands now, it just costs more dollars without any real benefit to vendors.
- We send copy of charge slip to attention of the buyer. We get frequent requests for copies to be faxed or mailed again. Need to have definite contact clearly specified and indicate address/fax to send invoice and charge slip.
- Method of covering credit card fees from Bank on large orders. Many of our orders are \$500,000 or more. Trying to absorb \$15,000 in processing fees is a burden to our small business. There should be some way to recover that for vendors who want the convenience of credit card payments.
- Increase the contract award amount to account for the cost of processing credit cards.

K. SUMMARY

This chapter presented the results of interviews and informal discussions held with cardholders and the APCs within the Acquisition Center.

It also presented data derived from the databases within the Acquisition Center used to track all micro-

purchases and to award actions in the Base Operations area (DAAB08).

Finally, the chapter presented the results of the three surveys issued by the researcher: the cardholder survey, the Approving Official survey and the Industry survey.

Chapter IV will analyze and interpret the data presented in this research effort.

IV. DATA ANALYSIS AND INTERPRETATION

This chapter analyzes and interprets the data presented in the previous chapters. The first section analyzes certain issues with the literature review conducted of the credit card rules and regulations. The second part analyzes data obtained during interviews, informal discussions and database reviews within the Acquisition Center. The next three sections analyze data from the surveys received from cardholders, Approving Officials and industry.

A. RULES AND REGULATIONS REVIEW

Army Acquisition Letter 96-3 provided policy for the purchase of commercial items valued between \$2,500.00 and \$25,000.00 utilizing the credit card. This directive provided a simplified method for procuring commercial items encouraging agencies to establish Blanket Purchase Agreements (BPAs) and authorized a deviation to the Defense Federal Acquisition Regulation Supplement (DFARS) regulations to achieve this streamlining effort. No written Purchase Orders for Supplies or Services, DD Forms 1155, were required. The actual one-page agreement was provided as part of the Acquisition Letter. [REF 58] This initiative was not embraced by the Communications Electronics Command (CECOM) Acquisition Center. As the Center endeavors to become the Acquisition Center of choice, this initiative should have been immediately implemented. The Government's rights would have been protected and the contracting community could have been using the card for actions over \$2,500.00.

The deviation noted above expired but this researcher considers its initiation to be the jump-start Army activities needed to increase usage of the card. Without any experimentation of this process during the deviation period, it was impossible for the Center to request any type of extension. The majority of actions within the DAAB08 area of the Center could greatly benefit from this streamlined process rather than awarding hard copy contractual vehicles.

It is potentially possible, but not proven, that the purchasing threshold for card usage could have been much higher without the need for any contract awards if the Department of Defense (DoD) agencies would have just adopted this reform initiative. If enough agencies supported the deviation, it could have been extended and potentially, at some point, permanent definitive language incorporating the deviation would have been included in DFARS. This researcher considers this a lost opportunity for DoD and CECOM.

Contracting professionals are familiar with the fact that the Federal Acquisition Regulation (FAR) provisions contradict one another. While FAR, Parts 12 and 13, encourage using simplified acquisition methods (i.e., credit card) for commercial items up to certain thresholds (i.e., \$5M), other portions restrict that intent. FAR, Part 5, stipulates that proposed contractual actions expected to exceed \$25,000.00 be synopsisized in the Commerce Business Daily. This requirement levies waiting periods limiting the Contracting Officer's ability to make a quick award. Of course, there are exceptions to the synopsis

requirements; but the desire to use the card is not one. [REF 24] Therefore, until the FAR Council deems it appropriate to raise the synopsis threshold, use of the credit card is not appropriate, even if allowed, for requirements exceeding \$25,000.00. This may well be DoD's rationale for restricting credit card usage for contingency operations and training at \$25,000.00.

FAR Part 5 also mandates certain restrictions and limitations for public posting/announcements for actions exceeding \$10,000.00. [REF 24] The CECOM Acquisition Center satisfies this lesser requirement by posting all solicitations on the Business Opportunity Page (BOP); but, once again, the time constraints levied (10 days) by this Part make it impracticable for the Contracting Officer to effect an expedient buy through use of the credit card.

The bill introduced by Representative Bartlett to increase the credit card threshold should have initiated incremental steps versus trying to allow credit card purchases at any proposed amount even with certain limitations. None of those limitations restricted use of the credit card to small businesses. The FAR currently sets aside all purchases under \$25,000.00 to small businesses. This proposed bill circumvented that and opened the door for purchasers to find loopholes to preclude making any awards to those firms. Had the proposal initially attempted to raise the limit to a lesser value (i.e., \$10,000.00), the probability of success may have increased.

The FAR increased the threshold for credit card usage overseas to \$25,000.00 and allows the card to be used by

all Federal agencies for training requirements up to a maximum of \$25,000.00. Efforts are needed to raise the purchase threshold as well. The advantages to increasing the threshold include: increased rebates, increased internal savings, decreased Defense Finance and Accounting Service (DFAS) payment processing costs, satisfied vendors who receive payments much quicker, increased supplier base and more authority to customers. As with every change there are also some disadvantages: increased risk of abuse and fraud, increased oversight by the Activity Program Coordinators (APCs) and Approving Officials and potential loss of business for large firms if purchases were restricted to small businesses. Yet, this researcher considers the advantages to far outweigh the disadvantages and measures need to be taken to increase this limited threshold.

Throughout this research effort, this researcher noted that there is a significant lack of information being disseminated to the Requiring Activities and the DAAB07 area regarding this reform initiative. During an informal discussion with one cardholder in the DAAB07 area, the Contract Specialist informed the researcher she was unaware of the October 1998 Principal Deputy to the Under Secretary of Defense's directive requiring a written determination if the purchase card is not used for any action under \$2,500.00, regardless of what type of contractual vehicle is used.

Research noted that the Contracting Officers in the DAAB08 area are consistently aware of policy changes made in this arena and take positive steps to initiate those

changes based on the information gained from DoD's Purchase Card Website. In fact, with respect to the written determination when the card is not used for every action under \$2,500.00, the Base Operations area implemented that policy with all customers in early 2000, yet the policy was recently released to the Center as a result of the DFARS change.

The mission side of the Center may not be the prime focus for this initiative due to the varying types of weapons systems, research and development, and spares contracts awards. These contracts have multitudes of line item pricing and paying some line items with a credit card versus not paying others could become an administrative overload, one not worth any savings due to the extra time expended by the Contract Specialists in tracking payments. However, the researcher believes the Center's closeout backlog (thousands of contracts) could be eliminated if the payment credit card was used. The Center should closely look at the OMNIBUS area where multitudes of delivery orders are issued against existing contracts and consider the guidance provided in the Director, Defense Procurement's December 4, 2000 memo. [REF 37]

B. THE CECOM ACQUISITION CENTER

1. Oversight by the APCs

The Primary and Alternate APCs were reassigned from the Base Operations area in FY96 to the Business Operations Sector to track/administer CECOM's implementation of the credit card program. This was CECOM's jump-start to the program. With the Army Materiel Command (AMC), CECOM's Major Command, levying requirements to start tracking

dollars and transactions, attention by the Center was put into perspective.

Interviews with the APCs revealed their primary duty is to serve as the Command's focal point for all credit card purchase problems/questions and to interface with the selected Contractor Bank for the credit card services. Their secondary and most important functional responsibility is training all individuals requesting authorization to be cardholders. They stated "no class - no card". They also maintain a list of cardholders/Approving Officials. [REF 52,53]

The APCs also function as the Command's "watchdogs" to ensure proper utilization of the issued credit cards. They perform yearly audits on files of selected Requiring Activities. Their primary focus is ensuring there are no violations; i.e., split purchases and unauthorized purchases. In several places throughout the Standard Operating Procedure (SOP), the activities are reminded of their requirement to properly follow the procedures outlined in various parts of the guidance. The penalties noted in these reminders include cardholders' card privileges being suspended for a minimum of thirty (30) days and that repeat offenders will have their card revoked for one year.

The CECOM SOP advises all cardholders and Approving Officials that they are procurement officials and are subject to administrative action or remedies as well as civil and criminal penalties for violations of the Procurement Integrity Act and refers the reader to FAR 3.104-11. This part of the FAR, Criminal and Civil

Penalties and Further Administrative Remedies, states in part: "...an official who knowingly fails to comply with the requirements of 3.104-4 shall be subject to the penalties and administrative action set forth in subsection 27(e) of the Act." [REF 24]

The Procurement Integrity Act does apply to all procurement officials but its primary focus is ethical conduct prohibiting disclosing and obtaining procurement sensitive information and post employment restrictions. While ethical conduct is a critical element of any procurement official's responsibility, the parameters of the Procurement Integrity Act could be very misleading for any cardholder who may have intentions of fraudulent activities. This Act does not cover those scenarios of misuse, willful misconduct or fraud with respect to card utilization. [REF 29]

The CECOM SOP does address standards of conduct and reminds cardholders and Approving Officials that knowingly making false statements with regard to use of the credit card and reconciliation of the statements could provide support for removing them from Federal service. It goes on to state that the Government may impose punishments of fine, imprisonment or both in accordance with Chapter 47, Fraud and False Statements, of Section 1001 of Title 18, Crimes and Criminal Procedures, United States Code. While the SOP does not address the magnitude of these punishments, Title 18 does specify a term of imprisonment as not being more than five (5) years. [REF 59]

Furthermore, Purchasing Card Reengineering Implementation Memorandum #1, November 20, 1998, provides

specific guidance to Certifying and Approving Officials regarding their pecuniary liable for erroneous payments and/or making false statements with respect to the payment of funds. [REF 60]

The APCs receive a quarterly bank run delineating the description of each purchase and the dollar value. This run is carefully scrutinized and they provided the researcher with several instances of minor infractions. One cardholder purchased a rubber duck as a retirement gag gift. The monies paid for this gift were recouped from the Approving Official as he had authorized the purchase. The second infraction involved tear-apart tickets used for fund raising events. The monies for this breach were collected from the individual cardholder since the Approving Official had denied the request for the purchase.

During the interview, the APCs agreed that some form of policy regarding these minor infractions is required and they were considering formulating a Policy Statement for Command Issuance. This policy statement would forewarn cardholders that three minor infractions such as the ones noted above would cause their card to be permanently withdrawn. The APCs stated further that many of the cardholders would not object to losing this privilege, as they are not thrilled with having the responsibility that goes with card possession. [REF 52,53]

Sanctions for violations should be commensurate with the magnitude of the violation. Minor infractions, similar to the ones noted above, may be an error in judgment, but three committed by the same cardholder create cause for concern.

What does one do if a major violation results from negligence, willful misconduct or fraud? Part 9 of the CECOM SOP addresses the responsibilities of the Chief, Acquisition Process Change Group. Part 9.a.(8) identifies one responsibility to be "Formulate resolution and disciplinary procedures for situations involving improper use of the credit card." The researcher was unable to locate any such procedure and assumes that since no major violations within the CECOM community have occurred, formulation of such procedures has not yet been identified as a need. [REF 29]

The APCs have no direction to expand uses of the card for commercial items - if the dollar value of the credit card purchase is not \$2,500.00 or less, it does not fall within their realm of responsibility. Even though the credit card program has now been revamped into a single contract for all three functions (purchases, travel and fuel), the APCs within the Acquisition Center are involved with only the purchase mechanism of the card. Their responsibility does not include using the card as a payment vehicle.

One very significant responsibility of the APCs is to maintain and publish the Standard Operating Procedures for CECOM and Fort Monmouth, U.S. Government Purchase Card Program. At the outset of this research effort, the latest copy, dated 1 July 1996, was provided to the researcher. This booklet establishes the policy for use of the card for purchases under \$2,500.00. It specifies that IMPAC will be used for standard and non-standard materials as well as services with limited restrictions. This very detailed

document delineates the policy, responsibilities, purchase procedures and financial procedures for processing credit card charges. [REF 29]

As a result of informal discussions with the Contracting Officers within the Base Operations area, whose job titles appeared in the SOP as the designated individuals responsible for the program, the researcher found this document to be outdated in that those individuals were no longer responsible. In fact, in 1996 when the APCs were relocated from this area to the Acquisition Business Process Sector, those responsibilities relocated to that area as well. In October 2000, this SOP was updated to realign responsibilities within the proper areas of the Acquisition Center.

Another noted responsibility of the APCs is to maintain a current listing of cardholders and Approving Officials. During the conduct of the surveys, the researcher was advised by several individuals they no longer were Approving Officials, no longer cardholders and, in one instance, the individual had retired in March 2001.

One particular Approving Official e-mailed the researcher the day after completing the survey with a concern regarding the maintenance of file information. On 19 September, this individual received a call from the Billing Office indicating that a particular cardholder's account required certification, as it was accruing interest from July and August. This particular Approving Official left that office three years ago and advised that she could not certify the account. The response given to this Approving Official was that the former office's Director

would not be part of the automated system (CARE) until October and that there was no one else to do the certification. This Approving Official was quite concerned with this result in that she had no idea what had been purchased and if those items had been authorized. The Approving Official resolved this by obtaining a written, signed statement from the Approving Official of record (who was not yet in the automated system) authorizing the automated certification. This situation should not have occurred. While it may be difficult to track personnel changes within the Command, accountability of cardholders and Approving Officials should be of primary concern. The SOP does address the issues of transfer or discontinued cardholder use. It appears as though these provisions of the SOP are not being enforced.

Additionally, creating a scenario where an automated system governs who approves the purchases totally circumvents the checks and balances imbedded in the program. The CARE system was fielded in CECOM in August 2001; therefore, the actual Approving Official responsible for the cardholder's purchases of July and August should have been allowed to complete manual certification for those two months. Another concern with this incident is that had it not been September with year-end processing (i.e., closing the accounting records for the fiscal year) occurring, the accumulation of these interest charges and lack of certification may not have been noticed for several more months. An additional concern surfaced in that the account was lost in the system and certain individuals, in both the office impacted by the lack of approvals and the Billing Office, were working the issue. This fact led the

researcher to believe that the responsible office for the program (Acquisition Center) was unaware of these problems. The researcher could surmise that even though the credit card program may appear to be a contracting responsibility, it may in fact be a financial responsibility, one for which the Acquisition Center should relinquish oversight.

The researcher could surmise that the next audit (timing unknown) will correct all these deficiencies.

2. Misplaced Responsibility

Review of the roles and responsibilities of both the Requiring Activities and those within the Acquisition Center revealed that the Center has misplaced responsibility in allowing the Purchasing Agent in the DAAB08 area to hold a purchase card. All requirements and needs for the Center originate from the Business Operations Sector. The researcher correlated this sector to that of a Requiring Activity. This sector is the support faction for the three buying sectors within the Center. All purchase cardholder(s) should reside within that sector (other than those who purchase supplies for their sector employees' usage) and they should, as do all other Requiring Activity cardholders, utilize the Government Credit Card for all purchases under \$2,500.00.

To comply with the initiatives of the National Performance Review and as stated in the Executive Summary of "The Government Purchase Card Report", reliance should not be placed on purchasing agents for items costing less than \$2,500.00. [REF 8] The intent of this reform initiative is to save dollars by streamlining the process and eliminating costs associated with traditional paper-

based acquisition methods. Additionally, this researcher believes that part of the intent was to free Purchasing Agents from the minutia to allow them to be creative in other business areas. Yet, this researcher learned that the Purchasing Agent accomplishes approximately 85% of all actions under \$2,500.00 for the Center.

The researcher found this to be a very inefficient process. Upon review of the credit card purchases accomplished by the Purchasing Agent, the researcher noted a three to five day lapse between the time the requestor initiated the form and the time the purchase was actually accomplished. This time lag is even longer on those purchase requests received from the offices physically located in Fort Belvoir, Virginia. One of the premises of the credit card program is quick turnaround on purchases, not for the established in-house six-step process to take up to five days before the cardholder is aware of the requirement to purchase an item.

The researcher learned that this particular Purchasing Agent volunteered for the purchase card thinking that as a new reform initiative, her willingness to be supportive of acquisition reform would be noted. Allowing a Purchasing Agent to do so totally circumvents one of the advantages noted in the Executive Summary of "The Government Purchase Card Report" issued in September 1994 by the Purchase Card Council. This report states an advantage as "empowering the end users to buy what they need to do their jobs rather than relying on a purchasing agent for items costing less than \$2,500.00." [REF 8]

During discussions with the Contracting Officers for the DAAB08 area, the researcher learned that this additional responsibility creates workload management conflicts for that area. Personnel reductions in the DAAB08 area have been severe and, even with the Requiring Activities utilizing the card for all actions under \$2,500.00, this area accomplished over one thousand four hundred and forty (1,440) awards in Fiscal Year 2001. [REF 61]

The Purchasing Agent's Contracting Officer is the Approving Official for her payment credit card, yet the Approving Official for the purchase card is a Group Chief within the Business Process Sector. This Purchasing Agent, because of the compelling sense of need to make purchases quickly, ceases to work on actions for the DAAB08 area as actions for the purchase card are received. The Contracting Officer has, on many occasions, asked that all purchase card requests come through her so that she is aware of the Purchasing Agent's total workload. As of the time of this research, this had not happened.

Other than the workload management conflicts created by this one individual holding two distinct credit cards, other concerns come to mind; i.e., record keeping, misuse and why should an individual report to another who is not in her chain of command? The record keeping, trying to keep straight which card is used for which purchase, involves many hours of this Purchasing Agent's time, again taking away from her ability to award actions in excess of \$2,500.00 expediently. Her ability to manage her workload is impacted every time the Contract Specialist holding the

other purchase card for the Acquisition Center brings her a purchase request.

During informal discussions with the Contracting Officer, the researcher was informed that efforts were initiated in March 2001 to comply with the Purchase Card Council's recommendation and relieve the Purchasing Agent of this responsibility by properly placing that purchasing responsibility within the Business Operations Sector.

3. Advantages of Card Use to Contracting Officers

While the distinction has been made that the card is used only as a payment vehicle in the Center, it may appear that the credit card offers no advantages to the Contracting Officer. Yet, the discussions held with the Contract Specialists and Purchasing Agents within the DAAB08 area indicate that there are several. Even with the requirement that a contractual vehicle exist for any action in excess of \$2,500.00, credit card payments allow the Contractor, in most instances, to receive payment in three days versus the thirty to sixty day standard established by DFAS.

This benefit, in itself, may not seem to be of any value to the Government, but partnering relationships are greatly enhanced by Contractors not having their capital assets tied up. The advantages to the Contracting Officer are immediate close out and resolution of any unliquidated obligations.

4. Database Review

Both mission (DAAB07) and Base Operations (DAAB08) groups within the CECOM Acquisition Center have experienced significant decreases in the number of smaller dollar-

valued actions, as one would expect with the advent of authority being provided to Requiring Activities. Portions of Table 3 are provided as Table 8 for the reader's ease in following the researcher's reaction to these numbers.

Fiscal Year	DAAB07	DAAB08
92	483	5329
93	150	5636
94	101	5240
95	125	3734
96	109	2356
97	57	1456
98	54	564
99	46	431
00	45	219
01	29	131

Table 8. Portions of Table 3 for Actions Under \$2,500.00.

Review of the actions under \$2,500.00 seems to indicate that the mission side had a much quicker reduction in processing of actions. Some unexplained variances in the data are:

- FY92 to FY93: While the mission (DAAB07) actions decreased, the Base Operations side increased by approximately the same number. The research could not validate any data as to whether implementation of the credit card program created a temporary shift in work being assigned to the Base Operations group.
- In FY91, there were 33 cardholders as compared to the 655 cardholders existing today. An admitted slow start and the lack of any metric reporting to higher headquarters could certainly contribute to the declines and rises in the numbers of actions accomplished during the early years of implementation.

- A consistent decline in number of actions seems to have occurred from FY94 through FY98 with a smaller decrease occurring in FY99.
- Research indicates that the DAAB08 number in FY99 could have been much smaller if the authority given to Department of Public Works (DPW) to make Blanket Purchase Agreement (BPA) calls had not been rescinded. During January-February 1999, the Contracting Officer began receiving an inordinate number of phone calls from concerned vendors complaining they had not been paid for almost one year. The technical representatives at DPW supported this providing information to the Contracting Officer regarding dates invoices were received, accepted and forwarded on to the Defense Finance and Accounting Service (DFAS). The DFAS Vendor Pay Branch experienced growing pains (having moved from the Fort Monmouth location to St. Louis at the end of September 1997) and technicians were not matching orders with invoices and, as a result, invoices were returned to vendors. To gain control of the situation, the Group Chief temporarily rescinded the ordering officer's authority to issue calls against BPAs, placing that function back with the Contracting Officer. [REF 50]

The researcher learned that effective 1 March 2000, the former process was reinstated, but this time, the Contracting Officer streamlined the process. The credit card is used for all transactions under \$2,500.00. DFAS has been removed from the acquisition process for these actions. As supplies are delivered or services are rendered, the DPW cardholder provides the card number, enabling the vendor to be paid within three days by the card-servicing bank.

In FY96 the percentage of micro-purchase transactions awarded via the credit card was 84%, with that percentage increasing to 96% in FY99. The researcher attributes this to increased usage of the credit cards by Requiring

Activities eliminating the need for any individuals within the Acquisition Center to write an actual contractual document. To further validate the effectiveness of the credit card program, the researcher deemed it necessary to review actions for the current Fiscal Year. As of March 31, 2000, the DAAB08 Base Operations teams had awarded 328 actions under \$2,500.00. A breakdown of those actions follows:

- 16% were written calls to blanket purchase agreements for DPW
- 60% were credit card purchases for supplies for the Self Service Supply Store
- 8% were orders issued against an existing Construction IDIQ Contract
- 16% were GSA Schedule buys or purchase orders where vendors would not accept the credit card

These figures reveal that at the current rate the FY00 numbers would far exceed FY99. Further research indicated the following regarding the micro-purchases effected to date in FY00:

- The researcher queried the Contracting Officer, "Why are calls to BPAs for less than \$2,500.00 being produced within the automated system (Standard Procurement System)?" The answer referenced a problem experienced over a year ago with getting DFAS to pay the BPA vendors on a timely basis. That payment problem was resolved eight months prior by instituting the credit card as the method of payment for all BPA calls. When the Contracting Officer and the customer agreed to that procedure, no further consideration was given to the BPA process. The payment problem was fixed - no one considered revamping the process and allowing the customer to make verbal calls for all actions less than \$2,500.00, thereby eliminating the need for any written contractual documents.

The savings as a result of this change could be substantial and the process would "conform to reform." The customer, DPW, will no longer be soliciting written quotes from three vendors on the BPA Contractor list - there is no competition required for purchases under \$2,500.00. They will no longer complete a DA 3953, Purchase Request and Commitment, providing funds to the Contracting Officer for obligation. They may now call a vendor, obtain an oral quote, receive the invoice when work is complete and swipe the credit card, paying the vendor. Since the credit card was the method of payment being used for the past year, the end of cycle reconciliation existed and no new effort will be required on their part. This new process eliminates preparation of a written contractual document and close out processes since no documents exist to be closed.

- The 60% figure represents open market buys to replenish the stock levels for the Self Service Supply Center (SSSC). Research revealed that an employee within the Deputy Chief of Staff for Logistics (DCSLOG) (a Requiring Activity of the Acquisition Center) is an authorized cardholder with primary responsibility to ensure stock levels remain consistent within the SSSC. This function is a prime candidate for use of the card. The researcher learned that for every transaction made with the card, this individual prepares a DD 1155, Purchase Order for Supplies or Services. Why? The warehouse requires a piece of paper to let them know that a shipment is forthcoming so they will be able to acknowledge receipt of the deliveries. When queried, the researcher learned that the warehouse's internal automated supply system automatically produces a purchase request when stock levels reach a designated restock level. This piece of paper is then given to this individual cardholder, along with a funds certification document, and he processes the credit card buy by preparing the DD 1155, printing a copy and providing it to the

warehouse's receiving office. When the researcher inquired why the DCSLOG system had never been updated to meet today's acquisition reform challenges, the response received was a polite "do not ask". The researcher found this to be a prime example of reform events happening all around old processes, but band-aid approaches being utilized as temporary fixes.

Research further revealed that these DD 1155s are "awarded" in the Standard Procurement System (SPS) database. As noted above, the individual making the credit card purchases is awarding purchase orders and utilizes a "W" in the ninth position of the PIIN. The Defense Federal Acquisition Regulation Supplement (DFARS) in Part 204.7003, Basic PII Number, provides the alphabetic designator to be used in the ninth position of the PIIN (see Appendix D). Since the "W" is "reserved" and not normally used, the CECOM Acquisition Center determined that this designator would be used for all contractual vehicles written but paid with the credit card. Therefore, this individual awarded hundreds of "W" orders, but did not perform close out activity once the supplies were delivered.

One of the key issues with SPS is that its implementation is NOT a new automated system, but a re-engineering of business processes. This research found that everyone is perfectly content with the way things have always been done and are trying to fit a round peg into that archaic square hole.

It should be noted that this practice has been eliminated in that the SSSC was converted from a Government source of supply to a Contractor operation. In August 2001, Office Depot was awarded a contract to operate a

Government supply store and permit all purchases to be made via the Government credit card.

The individual responsible for making all purchases prior to this service being contracted out has been realigned within the DCSLOG office and is performing warehousing functions sorely needed by the Command.

- Examination of the buys within this category revealed that the ordering officer within DPW was issuing written orders against an existing IDIQ Construction Contract. FAR allows credit card use for construction up to \$2,000.00. Department of the Army regulations require a DD Form 350, Report of Individual Contracting Action, be submitted for each construction action exceeding \$500.00. The DA requirement negates the ability to utilize the credit card. A DD 350 is linked to a specifically identified contractual document number. Research revealed that all these actions exceeded the \$500.00 threshold; therefore, no savings are being realized in this area.
- The remaining 16% were for GSA Schedule buys or purchase orders with vendors who do not accept the credit card. As mandated by the Hamre 20 July 1998 direction, GSA is currently in the process of renewing their schedules and incorporating authorization for acceptance of the credit card. [REF 35]

5. Metrics/Reporting

The researcher unveiled potential under reporting of this metric. Even though DA eliminated the requirement for reporting this metric, AMC and CECOM continue to collect data on this reform initiative. The APC interviews revealed they report the percentage of micro-purchase actions that utilize the card either as purchase or payment for anything under \$2,500.00.

The problem is that the DAAB08 area provides a report the end of each month of all actions under \$2500.00. The

APCs exclude all "W" buys from the count as those numbers are reported on the bank's quarterly run. Any other action on the DAAB08 listing (i.e., "C", "P", "F", "A") is reported as a transaction, but not one using the credit card. (See Appendix D for a complete listing of procurement instrument identification numbers.) When informed that all the BPA calls (20% of FY00 actions listed on the DAAB08 monthly report as "A") were paid by credit card, they realized percentage of usage of the card was being underreported and that instead of being at a 96% level of usage of the card for micro-purchases, the Center was probably at 99%. They discovered the need to actually take the bank's monthly run of all transactions and compare it to the DAAB08 list.

Additionally, the researcher informed them of the 1998 OSD policy regarding payments on existing contracts (i.e., indefinite delivery indefinite quantity contracts) and asked if they were reviewing DAAB07 actions. They were not considering any of the DAAB07 efforts.

Another very important performance metric for the Acquisition Center is closeouts. The researcher found that the "W" purchase orders made for the SSSC were being included in the DAAB08 area closeout statistics. These should not count at all - they are erroneously entered into the automated system. Credit card purchases do not count as a contract action - they are counted as micro-purchases requiring no paperwork to include closeout. When a Requiring Activity makes a micro-purchase, this credit card activity appears on their automated bill in CARE. At the end of the billing cycle, the cardholder verifies all

activity on the bill by comparing entries in CARE against actual receipts for charges for the previous month. Given that there are no discrepancies, the cardholder then certifies the bill and advises the Approving Official to do the same. This clears all activity from CARE and from the automated open account of the cardholder and Approving Official.

In an effort to discontinue carrying these "W" purchases counted towards closeout metrics, the Contracting Officers plan to have these items closed and to preclude any future "W" actions under \$2,500.00 being loaded into the Standard Procurement System database. The Acquisition Business Process Sector establishes fiscal year closeout goals based on the numbers of eligible contracts/purchase orders/etc. This will preclude any over inflated estimates and thereby keep the goals for this group within reach.

Using the credit card for payment expedites the closeout process. One of the most significant problems experienced by the Specialists/Purchasing Agents in the DAAB08 area with closeouts is determining whether payment has been made by DFAS. The card eliminates DFAS interaction with vendors. An obligation does not occur until DFAS cuts the check to pay the credit card bill at the end of each billing cycle. Use of the purchase card is considered an authorization even though the purchase card bank has paid monies to the vendor. Even so, once the invoice is received, the cardholder provides the card number to the vendor and within three days he has received payment. Once the statement has been received noting the

bank payment, the Specialist/Agent can immediately close the contractual vehicle.

Another metric closely tracked each year is unliquidated obligations. The Acquisition Center Director has mandated zero lost dollars. With the elimination of the revolving fund ("M") account, there is no longer any means for unspent dollars to be recycled in the finance system. This created the situation where expiring funds must be deobligated and decommitted prior to their expiration. All funds expire five years after the last year available for obligation; i.e., operations and maintenance dollars (one year funds) expire on 30 September of the sixth year after their year of obligation; research and development dollars (two year funds) expire in seven years. Use of the credit card quickly identifies within a month after payment whether vendors offered discounts or the actual prices were lower than quoted. Either of these two instances results in unliquidated obligations. Once the payment appears on the statement, the unliquidated dollars can be drawn down by modification to the contractual vehicle, thereby eliminating the unliquidated obligation and the vehicle can be closed.

Another metric impacted by use of the credit card for payment is cycle time, which is obviously reduced by eliminating the requirement for voluminous copies of invoices and elimination of DFAS as the paying office.

C. CARDHOLDER SURVEY ANALYSIS

This section analyzes and interprets the responses received to the cardholder surveys. As noted in Chapter III, the cardholders were asked to respond to questions in

three areas: training, card utilization in their offices and overall assessment of the CECOM credit card program.

The research revealed that not everyone is comfortable with this extra responsibility. Research suggests that if the organizations expanded the number of cardholders, this responsibility and end of cycle bookkeeping process would not be overly burdensome for any one individual and, in essence, could be shared by several employees.

Additionally, this administrative once a month process may well offset the costs of having to prepare requirements packages to send to the Acquisition Center.

1. Training

This part of the survey sought information on the types, duration and content of training, asked the cardholder if the training prepared them for their new duties, asked if follow-up training had been conducted and sought their opinions as to whether the training could be improved.

Every cardholder received some form of credit card training in accordance with AFARS 13.9004. [REF 26] The majority received eight (8) hours and seventy-six (76) percent received at least four (4) hours. The differences in responses may be attributed to the initiation of the program where cardholders were trained as a group in an auditorium setting for an eight (8) hour session. Subsequent sessions are held one-on-one between the APCs and the cardholder. It is reasonable to expect that one-on-one training might not take as long as a mass group setting. One-on-one training offers many more advantages to the cardholder than attending a mass group training

session. Each cardholder is given personal attention and has the opportunity to ask those questions they feel necessary for them to comfortably perform their duties as cardholders.

The APCs trained the majority of cardholders. This localization of training introduces cardholders to how the CECOM program is implemented. It does not provide for lessons learned or any cross-fertilization with program issues/concerns that occur at other installations.

The content of the training certainly appears to be adequate. By the responses received, it was very obvious that all understood what they could and could not buy and what their specific limits included. One major concern regarding the content involved the record keeping involved. Review of survey results indicates that the various offices maintain different accounting practices for the financial aspect and that cardholders want additional information regarding record keeping. This researcher considers this to be an individual matter, not one that should be consolidated into a training program. The aspect of keeping accurate records is certainly an element to be addressed in initial training and to be reinforced in follow-up training. The mechanics of how to set up those records and the details involved with the day-to-day processing are not within the realm of a training program designed to make cardholders aware of their responsibilities.

Respondents utilizing the card for payment only expressed concern that the training program did not cover their responsibilities. This researcher disagrees. The

basic premises of the card, whether used for purchase or payment, remain the same. The rules and regulations apply in both instances. Payment for contractual actions in excess of \$2,500.00 was not envisioned at the initiation of the credit card program; it is an outgrowth of DoD directives in efforts to enhance the overall program.

Follow-up training is not required by AFARS but would certainly reduce any potential for fraudulent activity with the card. Those responding that they had not received follow-up training may very well think that this might mean a formal class setting to qualify. The interviews with the APCs noted they are constantly on the telephone guiding cardholders and answering specific questions. Many responders indicated that even though they had no follow-up training, they knew the APCs were there and were willing to help them if ever needed.

The responses received to follow up training reflect very obviously different people, different expectations. A copy of the written SOP for the credit card program is given to every individual trained. While it does not include step-by-step instructions on how to conduct market research or negotiate, it certainly includes the duties and responsibilities of each individual involved in the credit card process. Once again, the accounting cycle is a byproduct of the process, but the SOP does provide the financial procedures for processing the purchase card charges. This financial management focus is not the specific responsibility of the APCs. Again, follow-up training would certainly tend to preclude abuses in the system.

The fielding of the CARE system should by all means alleviate many of the concerns expressed in the surveys regarding the perceived lack of training with the record keeping aspect. The automated system provides an adequate means of recording all purchases, certifying their validity at month's end and obtaining the Approving Official's certification.

Several organizations have developed on line credit card training programs, which the APCs could adapt for their use as refresher training for all cardholders. In addition, US Bank has developed an on line training program for the CARE System. Any cardholders having difficulty with the record keeping aspects of the system should avail themselves of this service.

Overall, this researcher contends that the training program at CECOM is relevant and adequate to meet the needs of all cardholders. This researcher does contend that refresher training be conducted on a routine basis, particularly in light of the abuses being noted by other services. CECOM has had no major violations by cardholders and this record in itself attests to the relevancy and adequacy of the training program.

2. Card Utilization in Your Office

This part of the survey requested inputs from cardholders on actual card utilization within their various Requiring Activities located at Fort Monmouth to ascertain whether any unique processes had been developed for dealing with the credit card. This part also sought information on the criteria used to determine whether an item is purchased with the card, how they effect those purchases with

prospective vendors and what they do as a matter of course if the vendor does not accept the credit card. The last several questions asked about the number of credit card actions and the time the cardholder spends each month in both purchasing and administrative tasks.

The survey results indicate that most offices published their own written procedures. Those who did not utilize the instructions provided by the APC and felt no further guidance was necessary. Even those who responded in the earlier part of the survey about needing more detailed instructions answered yes to this question. That leads this researcher to the conclusion that the written SOP published by the APCs and/or procedures published by the individual cardholder offices are adequate.

Survey results indicate that vendors readily accept the card. Only one cardholder encountered problems with a vendor. That comment was from a cardholder who used the mechanism strictly for payment purposes and the individual indicated that the vendor wants the card number up front. This is more than likely unfamiliarity with the Government system. When using the card for payment, delivery has to be made prior to the card number being released. This is opposite to practices when using the card as a purchase vehicle. Overall, cardholders have no problems with vendors accepting the card.

If proposed vendors do not accept the card, the cardholders indicated they search the marketplace for a vendor who will accept the card. This is in compliance with Dr. Hamre's direction. After having used the card and becoming accustomed to the potential savings in time and

dollars, few cardholders prefer to process a requirements package to send to the Base Operations area for award of a contractual vehicle.

Yet, the survey results revealed that a very low percentage of cardholders stated they would prepare the required written determination required by Dr. Hamre's October 2, 1998 memorandum and submit the requirement to the Acquisition Center. The Base Operations area awarded 231 actions during Fiscal Year 2001 for less than \$2,500.00. Each of these in theory required that necessary written determination.

The researcher found this area to be very weak in enforcement within the Command. The Hamre policy states that the written determination shall be signed by a General Officer, Flag Officer or member of the Senior Executive Service for any action under \$2,500.00 where the card is not used on a stand-alone basis or is used for payment. [REF 36] Research revealed that many activities are not taking this policy seriously in that they get a determination signed for one requirement and submit reproduced copies of that same determination for needed actions at a later date.

The Hamre policy does include a loophole, one that, in this researcher's opinion, is erroneously being utilized to the maximum at CECOM. The policy states that in an effort to prevent mission delays, if none of the three approval designees exist within an activity, then the authority for the determination may be delegated to the level of senior local commander or director. [REF 36] Activity Division

Chiefs, not their Directors, have become the normal approvals of these determinations.

In discussions with the Contracting Officers of the Base Operations area (where all actions under \$2,500.00 would be awarded), the question regarding the level of approval on these determinations was asked. Even though the credit card program is CECOM-wide, the Contracting Officers interpret this policy very loosely and consider each activity and its divisions to be stand-alone entities within CECOM. The Contracting Officers consider the written determinations to be an administrative interference with awarding contracts and since no official policy from the Acquisition Business Process Sector has been issued regarding this requirement, they consider one hundred percent compliance unnecessary. The written determinations do exist in the files of those actions under \$2,500.00. In this researcher's opinion, they are not in full compliance with the Hamre guidance on approval levels and nowhere in the guidance did it state that reproduced copies would be acceptable. Designating an approval level of this status was Hamre's method to emphasize insistence on credit card usage.

Furthermore, the Program Managers (PMs) and Program Executive Officers (PEOs) are not organizational elements of CECOM. The majority of them are organizationally linked directly to the Department of the Army and report to the Army Acquisition Executive. The others are organizational components of AMC. In each case, the PEOs are physically located at Fort Monmouth and all PMs should be required to have the PEO signature on the written determination.

Not one cardholder responded that they would write an accommodation/convenience check to the vendor who would not accept the credit card. This vehicle for payment was identified by the Acting Under Secretary of Defense (Comptroller) in his 5 August 1997 Purchase Card Reengineering Memorandum. [REF 33] This is another method for purchasing supplies and services under the micro-purchase threshold yet very few activities within CECOM have initiated action to obtain these checks. This researcher believes the lack of initiative to acquire these checks stems from the fee and the preparation responsibility for the yearly 1099M. The Requiring Activities' budgets are not lavish and, this researcher believes in some cases, may not account for all expenses incurred during the year. For them to estimate the amount of fees attributable to check issuance and have these funds in reserve in case a check is written is unreasonable. Therefore, the accommodation/convenience check has faltered at CECOM.

This researcher contends that this area should be scrutinized by the APCs. As stated earlier, they are provided monthly reports indicating the actions awarded in the DAAB08 area that fall below the micro-purchase threshold. Upon review of that monthly report, this researcher believes a mini-audit should be initiated to ascertain why the credit cards were not used on these purchases.

As this researcher would have expected, price was the overwhelming response to the criteria used to determine what is purchased with the card. This researcher was

dismayed when one-half of those responding indicated the Approving Official does not approve the purchases because that function is maintained at the Director or Deputy level. Aside from being completely contrary to current regulations and the CECOM SOP, these additional levels impact the streamlining intent of the credit card program. The credit card initiative intended for as few individuals as possible to be involved in the process to allow quick turnaround of all purchases. This layered approval impediment was further exemplified during the interview with the Contracting Officer within the Acquisition Center when she detailed the six-step process, which normally took from three to five days from initiation to reach her desk. The decision to use the card is not made by the Deputy, Director, cardholder or supervisor, but by the Approving Official. This interpretation of the SOP could mean that individuals consider the actual certification made by the Approving Official at the close of each billing cycle to be all that is required of this individual. This researcher disagrees. As an Approving Official, this individual should be the single focus for all purchase approvals before they are made, not at the end of the billing cycle after all purchases have been incurred. This appears to be an area where risk management is avoided with multiple layers tacked onto a simplified purchase process.

Survey responses indicated that the actual time spent on purchases each month range from three to forty-five hours with cardholders effecting a range of two to one hundred twenty actions a month. The researcher found no correlation between the activity's mission and the hours or number of purchases each was expending except in one

activity. The two cardholders expending the most hours each month (forty and forty-five) and purchasing the most items (forty-five and one hundred twenty) were from the Intelligence and Information Warfare Directorate of the Research and Development Command within CECOM. These high numbers in both time and actions lead the researcher to believe that the research and development community has the higher percentage of opportunity to utilize their card than the other activities on the installation or it could be that the other activities are simply not as aggressive as this one in maximizing the benefits of this reform initiative.

Further review of the surveys indicated that the cardholders with the larger number of actions were actually in program offices utilizing the card for mission requirements and not merely for supplies. Their monthly limits were much higher than the rest of the cardholders responding.

Results indicate that an average of three hours over and above the actual purchase time is expended with card activities each month. This time spent is attributed to inputting all purchases into the MAPS and CARE systems and then reconciling the CARE system at month end.

Based on the surveys received and the responses provided, this researcher concludes that utilization by cardholders within CECOM is a fair representation of all activities to include PMs. Seven of those responding utilize their cards strictly for office supplies from the Office Depot recently hired to replace the Government SSSC. Discounting their responses as to the number of actions per

month, the remaining responders indicated that their total actions per month were approximately four hundred and nine (409). When this researcher considers a year's actions, this equates to four thousand nine hundred and eight (4,908) actions that are not being forwarded to the Acquisition Center's Base Operations area for contractual activity. Given these two variables, this researcher concludes that card utilization is being maximized within CECOM. That is not to say that more could not be done.

3. Assessment of the Credit Card Program

This part of the survey sought each cardholder's opinion of the impact of the credit card on their activity and their processes with low dollar valued purchases that used to require the development of a requirements package to be sent to the Acquisition Center.

Survey results indicate that using the credit card makes the entire small purchase system much more efficient and less time consuming. Less paperwork is required and the credit card program has enabled offices to right size their organizations eliminating excess positions, if need be, but definitely realigning work to resources made available by not having to prepare acquisition requirements packages to go to the Acquisition Center for a simple \$500.00 purchase. Delivery times are quicker - the delivery times are probably not quicker but it appears that way because the lead-time from initiation of the requirement to award of the contractual vehicle has been eliminated and the results are more obvious in that the Requiring Activities are in control. This initiative has empowered the Requiring Activities to select their choices for

products, comparative shop, if need be, and negotiate with the vendors/contractors for the items they desire.

The researcher noted particular responses concerned the issue of cardholders being required to enter data into two automated systems, MAPS and CARE. CARE was fielded to CECOM in July and August 2001. As a result, duplicative automated systems exist and cardholders are required to make data entries into both. This requirement appears redundant. This researcher spoke with several of the Procurement Clerks within the Acquisition Center who possess purchase cards to verify the validity of the concern. Each confirmed that they must make data entries into both systems before making purchases. This researcher can only hope that CECOM will continue in the streamlining direction by eliminating the older system for credit card users.

Responses to the dollar limits indicated a lack of understanding and reinforced the perception that additional training is warranted. References were made to daily limits hindering the process. This researcher verified with the APC that there is no such limit. A cardholder may purchase any number of items in a day using caution not to split purchases to avoid the single purchase limit. The single purchase limit is Congressionally mandated and will remain at \$2,500.00 until they deem it feasible to raise the micro-purchase threshold. As for monthly limit, this is a limit that is controlled strictly by the Approving Official, the APCs and the bank. This limit can be raised to whatever limit is deemed necessary to meet mission needs. One particular survey response "sent up the red

flag" to this researcher in that the cardholder indicated that the purchase limit was too low, but this individual admitted that he was forced to break up some orders to use the card. This is a definite disregard for the regulations and appears as though this individual, if the researcher is interpreting his comment correctly, needs remedial training immediately.

Another process concern raised addressed the issue of buying items such as Palm Pilots or similar personal data devices. These type items are not included on the Army or the CECOM restricted lists. At CECOM, any information technology or like purchase must be processed through/approved by the Directorate for Corporate Information. This restriction is not associated with the credit card program, but is a local control policy.

In the two instances noted above, the lack of an ability to share lessons learned is impacting the overall administrative aspects of the program. The Acquisition Center has developed a web-based knowledge center, which can be accessed by anyone possessing a logon and password. It may well be worth the APCs' time and efforts to include a credit card lessons learned module within that web site so that knowledge and new ideas on the program can be shared.

The survey results suggested that the prices charged by Office Depot for office supplies are much higher than what used to be paid for like items from the Government Self Service Supply Center. At this time, cardholders are mandated to purchase all office supplies from the Government-contracted Office Depot on the installation.

The researcher recommends a cost benefit analysis be accomplished to ascertain the validity of these assertions. If found to be correct across the board, then provisions should be made that the cardholders can go to other sources for office supplies using the credit card. Allowing offices to buy supplies more competitively would be a definite advantage to time and cost savings.

The mean rating for the CECOM credit card program was 7.39 indicating that the majority of the cardholders believe the program falls into the Good category. Reasons for this include more efficient buying practices, quicker deliveries, availability of resources for other tasks, and better prices obtained by the cardholder.

Responses to the cardholder survey questions noted numerous advantages of the credit card program with a relatively low percentage of cardholders responding that they do not consider the credit card program to be of any benefit to them or their organizations. Those reasons appear to stem from their lack of understanding about the program and could potentially be mitigated with additional training as to exactly what the program entails, the establishment of a means of sharing information or minor process improvements within the activities. Based upon the data collected, the credit card program from the cardholder's perspective appears to be effective.

D. APPROVING OFFICIAL SURVEY ANALYSIS

This section interprets and analyzes the responses received to the Approving Official surveys. As noted in Chapter III, the Approving Officials were asked to respond

to questions in two areas: training and assessment of the CECOM credit card program.

1. Training

This part of the survey sought information on the types, duration and content of training, asked the cardholder if the training prepared them for their new duties, asked if follow-up training had been conducted and sought their opinions as to whether the training could be improved.

The responses indicate that Approving Officials are receiving some type of credit card training in accordance with AFARS 13.9004. [REF 26] Two Approving Officials indicated they had received no training. During review of their survey responses, it appears as though they have not as yet received their credit cards. Both are Contracting Officers within the CECOM Acquisition Center and are responsible for contractual requirements generated by the Logistics and Readiness Center (LRC). Some complications are being worked regarding the allocation and obligation via the Government credit card of Army Working Capital Funds, the primary source of funding for LRC projects. It is assumed that these Approving Officials will be trained by the APCs once these financial details have been resolved.

The APCs trained the majority of Approving Officials. This localization of training introduces them to how the CECOM program is implemented but does not provide for lessons learned or any cross-fertilization with program issues/concerns that occur at other installations. The training program designed for the Approving Officials

highlights the do's and don'ts associated with use of the credit card, just as it does for the cardholders and the end of month certification process.

According to the survey responses, those trained received anywhere from one (1) hour to eighteen (18) hours. The differences in responses may be attributed to the initiation of the program when Approving Officials were trained as a group in an auditorium setting for a four (4) hour session. Subsequent sessions are held one-on-one between the APCs and the Approving Official. It is reasonable to expect that one-on-one training might not take as long as a mass group setting. Some responders admitted that they could not remember the exact length of time due to how long it has been since they were initially trained.

The content of the training certainly appears to be adequate. By the responses received, it was very obvious that all understood their responsibilities.

Respondents who are Approving Officials for cardholders utilizing the card for payment only expressed concern that the training program did not cover their responsibilities. Even though this represents less than one-half percent of the respondents, this researcher disagrees. The basic premises of the card, whether used for purchase or payment, remain the same. The rules and regulations apply in both instances. Per the CECOM SOP, the Approving Official's responsibilities include reviewing each cardholder's monthly statement and verifying that all transactions were made in the best interest of the Government in accordance with FAR Part 13 and the CECOM

SOP. [REF 29] Review of these Approving Officials' specific responses indicated to this researcher that once again the administrative issue of record keeping presents some concern and thoughts that the training program may be lacking. As stated earlier in this chapter, record keeping and the specifics is an individual preference as to the amount of detail. No one individual should mandate how to maintain records, only that they should be maintained.

Overall, this researcher contends that the training program at CECOM is relevant and adequate to meet the needs of all Approving Officials. This researcher does contend that refresher training be conducted on a routine basis, particularly in light of the abuses being noted by other services. CECOM has had no major violations by cardholders and this record in itself attests to the relevancy and adequacy of the training program for the Approving Officials.

2. Assessment of the Program

This part of the survey sought each Approving Official's opinion of the impact of the credit card program on their activity and their processes with low dollar valued purchases that used to require the development of a requirements package to be sent to the Acquisition Center. It specifically asked about the approval process for purchases and how each ensured that the cardholder purchases were authorized in accordance with the regulations covering the program.

The survey responses indicated that the Approving Officials are not expending an exorbitant amount of time each month with their credit card responsibilities and that

the CECOM SOP defining their duties and responsibilities as well as all other participants in the program is adequate to meet their needs. A large percentage responded they have not issued their own guidelines, it is assumed that every Approving Official retained their copy of the CECOM SOP and references this handbook if questions arise. It is also assumed that Directors of these organizations feel it is not necessary to issue further guidance as the CECOM SOP appears to be all encompassing and offers very definitive guidelines for the credit card program.

The survey responses regarding prior approval of purchases indicated that the Approving Officials review each purchase before it is accomplished, reserving the right to reject any purchase not complying with the rules and regulations governing use of the card.

Survey responses to Question 5 of this part created some concern for this researcher. Several of the responses such as, "I am an engineer, not an accountant", "unknown", "full trust in cardholders" and "cardholders trained, so I rely on their judgment", along with the low percentage responding "Yes" sends up the red flag for the potential need for refresher training for these Officials. Regardless of what your profession, the responsibility of Approval Official carries certain management oversight duties - a critical one to ensure that cardholders are purchasing only authorized goods and/or services.

While these relaxed management traits may serve the supervisor well, the Approving Official within the credit card program has a responsibility to ensure that all regulations, particularly with respect to required sources,

are followed before any purchases are made. The CECOM SOP specifically states that the Approving Official will approve all purchases prior to their being made.

The survey responses indicate that each activity has implemented safeguards to prevent procurement abuses with regard to use of the card. A low percentage of respondents appear to be doing more to preclude any mishaps with the card by requiring multiple layers of approval before purchases are actually accomplished. As stated by this researcher before, the intent of this reform initiative was to eliminate layers of oversight and management and simplify the acquisition of small purchases. Adding levels internally within the organization defeats the intent.

Responses to the survey questions indicate that a relatively low percentage of Approving Officials may have become too relaxed in executing their roles and responsibilities. The numbers are very few and any potential problems appear to be isolated and could potentially be mitigated with additional training or minor process improvements. Based upon the data collected, the Approving Officials appear to be an efficient element of the credit card program at Fort Monmouth.

No major violations have occurred in the years since the program was initiated. A review of the listing of cardholders and Approving Officials provided by the APCs to the researcher indicates that no Approving Official has more than three cardholders under their purview. This span of control of cardholder to Approving Official is considered manageable with one hundred forty Approving Officials for two hundred thirty seven cardholders.

E. INDUSTRY SURVEY ANALYSIS

This section interprets and analyzes the responses received to the survey mailed to certain companies who had either been awarded a contract with the CECOM Acquisition Center's Base Operations area within the past several years or who had expressed interest in contracts with CECOM. The survey sought to gather information on industry's awareness of the credit card program, in particular the Fort Monmouth program. The survey questions asked these companies to comment on the advantages or disadvantages of the Government credit card and, as a final question, asked them for any recommendations to the credit card program.

Survey responses indicated an unawareness of the credit card program. This would imply that the Contract Specialists/Purchasing Agents within the DAAB08 area have not effectively promoted this reform initiative. This researcher believes that every vendor with whom they come in contact should be queried as to their acceptance of the card.

The responses cited high fees charged by the bank as the reason for not accepting the card. During discussions and interviews with members of the Acquisition Center, this aspect of the card was surfaced. This aspect is a double-edged sword in that smaller firms with lots of activity experience more frequent dollars disappearing to what they consider exorbitant fees and the larger firms with one or two large contracts experience one huge amount going to the bank for the fees. This aspect is definitely a challenge for the Contract Specialists/Purchasing Agents and Requiring Activity cardholders. Merchants accepting the

card are classified as preferred customers for Government business. Convincing a small business of the advantages of quick pay is easy, convincing them the fees charged by the bank will be offset by the time value of money may not be as rewarding whether they are preferred or not.

Survey responses indicated that the nature of work made it impractical to possess the card. One such company provided sports officials for the West Point Preparatory School (Prep School) seasonal games. While the credit card may not be appropriate for this vendor, the accommodation checks issued against the Prep School's cardholder's credit card would be the ideal payment mechanism for these "on call, as needed" services.

The survey responses indicated that industry is becoming more and more aware of the need to accept the credit card, particularly if they are a relatively small firm wanting to break into Government business. With the Requiring Activities holding credit cards, it is critical, in this researcher's opinion, that industry, regardless of fees and any other impediments, meet the Activities' buying power.

A very high percentage of survey respondents noted quick pay, elimination of paperwork and elimination of any involvement with DFAS as key advantages. While fixing DFAS payment problems is outside the scope of this effort, the credit card certainly appears to be an answer to eliminate frustrations and concerns of industry as well as Government with respect to payments.

Distinct disadvantages noted in the survey responses included the bank fees, the low limits and certain internal

process adopted by activities with regard to waiting periods until payment. The fees and limits are outside the control of CECOM with no expectation of any relief in either area. Industries should shop around to obtain the best rates on their credit cards, just as they would for their personal credit cards. By doing so they would minimize their loss of profit margins. The response regarding the activity requesting invoices and holding the credit card number for thirty days before calling with the credit card number appears to be a practice of a DFAS office, not of a Government purchaser. If this practice is being implemented in offices, it should be stopped as it defeats the advantage of quick payment to the vendor.

Responses to survey questions indicate that a relatively low percentage of industries conducting business with CECOM are aware of the credit card program, but those that are aware of the program have definite concerns with the lower thresholds and the high fees imposed on their companies by the banks issuing credit cards. The issue of awareness is strictly a function of the contracting community within CECOM who should be advancing this reform initiative at every opportunity by selecting and awarding actions to those firms who will accept the card for payment. Any Requiring Activities not enforcing the use of the card for all actions under \$2,500.00 should be directed to do so with requirements packages received at the CECOM Acquisition Center being returned to them.

F. SUMMARY

This chapter analyzed the data presented in previous chapters. The first section analyzed certain issues in the credit card rules and regulations. The second part

analyzed data obtained during interviews, informal discussions and database reviews within the Acquisition Center. The next three sections analyzed and interpreted data from the surveys received from cardholders, Approving Officials and industry.

Chapter V will present conclusions and make recommendations to the Director, CECOM Acquisition Center.

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V. CONCLUSIONS/RECOMMENDATIONS

The objective of this research effort was to explore the use of the Government credit card program at the Communications Electronics Command (CECOM), Fort Monmouth, New Jersey. An overview of the program recounting the history of the program and how the Government, the Department of Defense, the Army and CECOM initiated implementation of the program was presented. Next, data results regarding the various aspects of the CECOM program were provided. A discussion and analysis of all data collected followed. Finally, this chapter provides conclusions and recommendations based on the data results and analysis presented earlier.

A. CONCLUSIONS

Conclusion 1. While there are varying degrees of effectiveness, the results of this research indicate that the use of the Government credit card program at Fort Monmouth has been successful even though it was very slow with its initiation. The program is economically smart as it simplifies the buying of goods and services designated at the micro-purchase threshold, reducing paperwork and the administrative costs of both Requiring Activities and the Acquisition Center. Cardholders utilizing the card as a purchase vehicle realize reduced lead times while still complying with established rules and regulations governing the program. The majority of them find the program to be relatively easy and indicated their preference to card use over the former traditional process of sending an acquisition requirements package to the Base Operations area. The Acquisition Center experienced a significant

reduction in workload, which helped them cope with the reductions in personnel in the Base Operations area. Cardholders utilizing the card as a payment vehicle also realize benefits, but of a different variety. Even though they are still generating contractual instruments, they may now pay for goods and services with the card, reducing the interface with Defense Finance and Accounting Service (DFAS) and attendant problems previously encountered with vendor invoice submissions and other paperwork, reducing cycle time and the elimination of unliquidated obligations enabling quicker closeouts of awarded contracts.

Conclusion 2. The CECOM Acquisition Center has not maximized use of the credit card as a payment vehicle. This research effort noted that the Base Operations area within the Center is aggressively pursuing methods of utilizing the credit card while the DAAB07 area has fallen significantly behind in adopting this reform initiative. This researcher feels this to be primarily attributable to the fact that distinction has been made in the card at CECOM and the Activity Program Coordinators (APCs) monitor only that portion of the program that deals with the card as a purchase vehicle. Secondly, uncertainty with the card could certainly be the issue as to why the others within the Acquisition Center have chosen not to initiate payment activity on existing contracts by using the card.

Conclusion 3. The credit card program has contributed to a varying degree of administrative tasks for both Requiring Activities and the Base Operations area. The advent of the credit card eliminated preparation of requirements packages for Requiring Activities and

eliminated preparation of contractual vehicles for the Base Operations area. Even with these eliminations, the program, in and of itself, included the responsibility of tracking each purchase and having some form of record keeping allowing for reconciliation at month end. This could be a tedious, time consuming task for some. Up to the point of the fielding of the Customer Automation and Reporting Environment (CARE) system, this record keeping was a manual process with monthly reconciliation being accomplished manually as well.

This researcher concludes that the CARE system will eliminate many of the concerns expressed by cardholders with regards to record keeping. As the users become more familiar with the system, they should be able to develop workarounds to any potential problems they are having and make the system work for them. Over and above the CARE system, CECOM mandated use of the Material Acquisition Processing System (MAPS). Even though use of MAPS was instituted at the outset of the credit card program as one means of tracking the purchase of accountable property, this researcher concludes that CARE could be a replacement system for it for all actions under \$2,500.00. This researcher found no evidence to support the need for two individual, non-integrated systems that support the same function - tracking of all actions utilizing the credit card. FAR exempted all items under \$2,500.00 from property accountability and, since the purpose of MAPS is to track all non-expendable property, the regulations no longer support the need for MAPS for micro-purchases.

Conclusion 4. There is a lack of information regarding the program being disseminated to Requiring Activities and the Acquisition Center on ways to improve the program and credit card usage. It appears as though the general consensus is "We have met the goal mandated. We are done." Usage of the card as a payment vehicle is not being exploited by the APCs. They monitor card usage at the micro-purchase level only.

Conclusion 5. Adequate management controls are in place to prevent misuse and/or abuse of the credit card. While some activities impose tighter restrictions and increased levels of approvals than others, no major violations have occurred at CECOM. The span of control is adequate with Approving Officials responsible for as few as one cardholder and no more than three.

Conclusion 6. Commercial vendors readily accept the Government credit card. This is evidenced by the fewer number of contractual actions under \$2,500.00 awarded by the Base Operations area. Even with the concerns about the processing fees registered by some commercial firms responding to the survey, the fees are not impacting the Requiring Activities ability to find vendors who accept the card. The researcher concluded that those expressing concerns with the fees might be smaller firms doing very little business with anyone, let alone the Government, to warrant additional business expenses. In fact, several vendors responded to surveys indicating that using the card was the only way they could stay in business for the administrative costs dealing with DFAS would severely impact their profit margins. Improved relationships with

the local community are developed as a result of the Requiring Activities owning the process of selecting their own providers of goods and services.

B. RECOMMENDATIONS

Recommendation 1. Currently, there are no requirements for any type of follow-up, refresher training for participants in the program. Most cardholders and Approving Officials responded that they received initial training when the program was initiated in 1991 yet have not had subsequent training. A mandatory follow-up training program should be developed for all cardholders and Approving Officials and be conducted every two to three years depending on the number of changes and updates to the program. As noted throughout this research effort, training should also focus on use of the card as a payment vehicle since this area appears to be the next step for CECOM.

Recommendation 2. Since warranted Contracting Officers are the only individuals authorized to utilize the card at levels above \$2,500.00, the CECOM Acquisition Center should spearhead an effort to increase usage of the credit card as a payment vehicle. The prime candidates for the card's use at this level outside the Base Operations area are the OMNIBUS contracts. These are service contracts, primarily Indefinite-Delivery, Indefinite-Quantity vehicles for which it might be an easy undertaking to convert payments from DFAS to the Contract Specialist.

Recommendation 3. The CECOM Acquisition Center should designate a "champion" for the credit card program. When the program was initiated in 1996, the Chief, Computer

System/Base Support Branch (the Base Operations area), at that time an Army Major, was the Appointing Official and the primary proponent for the program. In October 2000, responsibility for the program was realigned to the Chief, Acquisition Process Change Group. As the CECOM program currently stands, it is primarily one for Requiring Activities. No concentration of expanding use of the program within the Acquisition Center has occurred. As previously stated, once CECOM met the AMC goal for usage, all emphasis stopped. This office could develop a module within the web-based Knowledge Center to share lessons learned with all Requiring Activities and Purchasing Agents/Contract Specialists within the Acquisition Center. As with the Department of Defense (DoD) Purchase Card Program Management Office's website, a part of this module could include Frequently Asked Questions, where questions asked by cardholders or Approving Officials could be answered and readily available for others to view.

Recommendation 4. Re-examine the need for card purchases to be entered into MAPS. The CARE system was fielded at CECOM in August 2001. All cardholders and Approving Officials should be mandated to use this system in hopes of eliminating the need for MAPS and the duplication of data input into the two systems.

C. ANSWERS TO RESEARCH QUESTIONS

Primary Research Question. What is the U. S. Army Communications Electronics Command's (CECOM) experience with the SmartPay Program (formerly known as the International Merchant Purchase Authorization Card [IMPAC] Program) and how might this information be used to improve program efficiency, effectiveness and utilization rates?

Although CECOM was very cautious with initiation of the program in 1991, the SmartPay Program at this Command has continued to grow each year and cardholders have almost doubled since 1998. As the experiences of existing cardholders are shared with those who are not, the benefits and ease of card use cannot be bypassed for the sake of traditional simplified purchase methods. As reported by the APCs, CECOM surpassed the Army Materiel Command's (AMC) utilization goal for micro-purchases accomplished by credit card of 91% in the third quarter of FY97 and maintained a 97% rate through FY99 when reporting to Headquarters ceased. The program continues to become even more efficient and effective as evidenced by the fielding of the CARE system in August 2001. Maximum efficiency and effectiveness have been attained at the micro-purchase level. The lessons learned at that level should be transposed to the payment utilization of the card for even more efficiencies and effectiveness to be realized in all contracting activity at CECOM.

Subsidiary Research Question 1. What prompted the Department of Defense (DoD) to implement the credit card program and what objectives does DoD hope to achieve with this acquisition reform initiative?

Chapter II provided an overview of the Government Credit Card Program detailing how it started and how DoD promoted its use. The objectives of the program were to alleviate paperwork required by the technical community, empower those organizations to purchase small dollar valued items under this own cognizance and permit the Purchasing Agents/Contract Specialists within DoD contracting offices to dedicate their efforts on the more important, larger

dollar valued acquisitions. Implementation of the SmartPay Program has achieved the stated DoD objectives.

Subsidiary Research Question 2. What are the various DoD and U. S. Army policies, regulations and processes with respect to the SmartPay Program and how does CECOM manage their credit card program?

Chapter II outlined all Government regulations pertaining to the Program. CECOM manages their program strictly from the purchase card perspective as presented in Chapters III and IV. The APCs track usage of the card only for micro-purchases. The training program addresses use of the card for actions under \$2,500.00. The CARE program mandates use for all actions at the micro-purchase level and provides no mechanism for record keeping for payments made by the credit card. The card is used as a payment vehicle in one single area of the CECOM Acquisition Center and the supervisor of that group manages that function of the program.

Subsidiary Research Question 3. What are the current challenges and issues associated with SmartPay usage and participation?

Chapter II provided several challenges and issues associated with the program. These included misuse of the credit card, span of control of Approving Official to cardholder, sharing of lessons learned regarding the program, card fees charged by the banks for industry and the limited micro-purchase threshold. As the program becomes more popular, management oversight to control misuse/abuse is the primary challenge facing Approving Officials.

Subsidiary Research Question 4. What is CECOM's and associated industry participants' experience with the credit card program?

Chapter III presented the results of the cardholder, Approving Official and industry surveys. Overall, all three groups noted less paperwork. The cardholders and Approving Officials have experienced quicker deliveries and more freedom to select their own suppliers and negotiate lower prices. Industry participants appreciate the opportunities to gain new customers, build new relationships and receive payments quicker.

Subsidiary Research Question 5. How do CECOM and associated industry participants assess attainment of respective goals under CECOM's credit card program?

Chapter III presented the results of the cardholder, Approving Official and industry surveys. The Requiring Activities locating vendors who accept the Government credit card to fulfill their mission needs for items priced less than \$2,500.00 is the measure of success for them. For the Base Operations area, attainment of program goals is achieved when no packages are received for micro-purchase actions. While the number of actions under \$2,500.00 has decreased significantly, they have not been eliminated. As for the industry participants, it is not readily known from this research as to whether they were aware of goals for the CECOM credit card program. They are simply aware that a new set of purchasers are now placing orders with them by making purchases online, over the counter and by telephone.

Subsidiary Research Question 6. What changes are needed to improve SmartPay Program efficiency, effectiveness and utilization rates at CECOM?

As discussed earlier, there are several recommendations for improvement to the existing program. While it is clearly understood that these may take some time to implement and there are external elements to consider, actions must be taken immediately. Only then, will CECOM improve upon the good it has already accomplished.

D. AREAS FOR FURTHER RESEARCH

- Conduct a cost benefit analysis to ascertain if the costs of office supplies provided by the existing Government contract with Office Depot are much higher as expressed by cardholders when compared to like items sold on the open market in the local area. If items are found to be cheaper elsewhere, discontinue the mandate that all office supplies be purchased from the existing contractor.
- Examine the costs and benefits of raising the current single purchase limit from \$2,500.00 to \$5,000.00 or even \$10,000.00.
- Develop a link between the CARE system and the budget offices within the respective activities of CECOM. Find some way for budget certifiers to have access to monthly reconciliation records, thereby eliminating a manual process that currently exists.

APPENDIX A. CARDHOLDER/USER SURVEY

TRAINING

1. How many hours of credit card training did you receive prior to becoming a cardholder? ____ hours

2. What type of training did you receive? Video ____, Local training by Installation Personnel ____, Formal training (i.e, GSA, ALMC, etc.) ____, Other _____

3. What was the content of the training you received? (please check all that may apply)

- a. ____ Background of the Government Credit Card Program
- b. ____ FAR/DFARS Regulations governing use of the credit card
- c. ____ Safeguarding the credit card
- d. ____ Unauthorized use of the credit card
- e. ____ Your liability as a credit card holder
- f. ____ What to do if your card is lost or stolen
- g. ____ Record keeping and retention requirements

4. Did the training you receive adequately prepare you for the duties of cardholder?

Yes ____ No ____ **Please explain:**

5. Have you received follow-up training?

Yes ____ No ____

6. Do you feel the training can be improved? Yes ____

No ____ **Please explain:**

CARD UTILIZATION IN YOUR OFFICE

1. Has your office published written procedures that must be followed when making a credit card purchase? Yes ____

No ____

2 Do the vendors that you deal with **readily** accept the credit card? Yes ____ No ____

If no, please explain:

3. If the selected vendor will not accept the credit card, do you:

- _____ a. search for another vendor
 - _____ b. prepare the required exception waiver and submit the requirement to the buying office
 - _____ c. cancel the requirement
 - _____ d. have another plan of action.
- (Please explain.)

4. What criteria are used to determine what items get purchased using a credit card (i.e., dollar amount, type of item, urgency of need) and who makes the decision to use the credit card?

5. During a **normal** month, how much **total** time do **you** spend making micropurchases with the credit card? This includes time spent on the telephone or face-to-face with vendors making the actual purchases.

- _____ a. less than 5 hours/month
 - _____ b. between 5-10 hours/month
 - _____ c. 10-20 hours/month
 - _____ d. over 20 hours/month; **how much:**
- _____

6. Given the time noted in 9 above, how many actions (on an average) does this time entail? _____

7. Other than making the actual purchases, how much time do you spend during a normal month on other related activities involving the card, such as statement reconciliation, error corrections, problems/disputes, etc?

ASSESSMENT OF THE CECOM CREDIT CARD PROGRAM

1. Do you consider the current CECOM Acquisition Center credit card instructions (handbook) to be adequate and that they fit your needs? Yes _____ No _____

Please explain:

2. Is your purchasing limit of \$2500.00 per transaction:
(a) too high _____; (b) too low _____; (c) just right
_____. **Please explain:**

3. Do you believe the credit card program has improved
____or hindered ____the small purchase process within
CECOM? **Please explain:**

4. Have you experienced problems using the credit card?
_____ None; _____ Sales tax charged; _____ vendor
acceptance; _____ either individual or monthly limit too
low; **Other:**

5. Are there any program restrictions (i.e., don't buy
list, your purchase limit) that you feel hinder the
effective use of the credit card within your office?
Please explain fully.

6. Do you feel that the credit card program saves your
office time and money? **Please explain fully.**

7. Are there ways to improve the credit card program at
CECOM? Yes _____ No _____ **Please explain fully.**

8. Rate the CECOM credit card program on a scale of 1 to 10

Excellent	good	average	poor
10-9	8-6	5-3	2-1

Score: _____

ADDITIONAL COMMENTS:

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APPENDIX B. APPROVING OFFICIAL SURVEY

TRAINING

1. How many hours of training did you receive prior to being appointed an Approving Official? _____ hours
2. What type of training did you receive? Video ____, Local training by Installation Personnel ____, Formal training (i.e, GSA, ALMC, etc.) _____, Other _____

3. What was the content of the training you received? (please check all that may apply)
 - a. _____ Background of the Government Credit Card Program
 - b. _____ FAR/DFARS Regulations governing use of the credit card
 - c. _____ Safeguarding the credit card
 - d. _____ Unauthorized use of the credit card
 - e. _____ Your liability as a credit card holder
 - f. _____ What to do if your card is lost or stolen
 - g. _____ Record keeping and retention requirements
4. Do you feel the training was adequate to prepare you for the duties of Approving Official? Yes _____ No _____
If no, where do you feel improvements are needed? _____

ASSESSMENT OF THE PROGRAM

1. How many hours per month do you spend on credit card activities? _____ Please explain those activities: _____
2. Are the current credit card guidelines issued by the Acquisition Center adequate? Yes _____ No _____
3. Has your organization issued written guidelines regarding implementation of the credit card? Yes _____ No _____
4. Do you require approval prior to purchases being made? Yes _____ No _____

If yes, please explain what you do:

5. How do you ensure cardholder purchases are authorized and in accordance with the Federal Acquisition Regulation and the CECOM SOP?

- a. _____ Reconciling cardholder statement with your monthly statement.
- b. _____ Verifying purchase requests in cardholder files with appropriate document register
- c. other: _____

6. Do you feel the credit card program is saving your activity time and money?

Yes _____ No _____ **Please explain.**

7. Do you believe your activity has implemented safeguards to prevent procurement abuses with regard to use of the credit card? Yes _____ No _____

If yes, what safeguards and controls are used by your activity?

If no, what controls would you recommend?

In the event a follow up is felt necessary, would you allow a telephonic interview?

Yes _____ No _____. If yes, please provide your phone number: _____

APPENDIX C. INDUSTRY SURVEY

1. Has your company accepted the Government credit card either (1) for purchase of items and/or (2) as a payment mechanism under an existing contractual vehicle with an office of the Department of Defense?
Yes _____ No _____

If no, why not? (please explain)
2. If yes, were any of those purchases or payments the result of activity with organizations within the CECOM Fort Monmouth community? Yes _____ No _____
3. If yes to either 1 or 2 above, what factors were relevant in your company's decision to accept the Government credit card?
4. What advantages did you find with this acquisition reform initiative?
5. Did you find any disadvantages with this reform initiative?
6. Do you have any recommendations for improvement to the DoD Credit Card Program?

PLEASE PROVIDE ANY ADDITIONAL COMMENTS ON THE REVERSE.

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APPENDIX D. DFARS 204.7003, BASIC PII NUMBER

Position 9 of the Procurement Instrument Identification Number: Indicate the type of instrument by entering one of the following upper case letters in position nine-

- | | |
|--|---|
| (i) Blanket purchase agreements | A |
| (ii) Invitations for bids | B |
| (iii) Contracts of all types except indefinite delivery contracts, facilities contracts, sales contracts, and contracts placed with or through other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD | C |
| (iv) Indefinite delivery contracts | D |
| (v) Facilities contracts | E |
| (vi) Contracting actions placed with or through other Government departments or agencies or against contracts placed by such departments or agencies outside the DoD (including actions with the National Industries for the Blind (NIB), the National Industries for the Severely Handicapped (NISH), and the Federal Prison Industries (UNICOR)) | F |
| (vii) Basic ordering agreements | G |
| (viii) Agreements, including basic agreements and loan agreements, but excluding blanket purchase agreements, basic ordering agreements, and leases | H |
| (ix) Do not use | I |

(x)	Reserved	J
(xi)	Short form research contract	K
(xii)	Lease agreement	L
(xiii)	Purchase orders—manual (assign W when numbering capacity of M is exhausted during the fiscal year)	M
(xiv)	Notice of intent to purchase	N
(xv)	Do not use	O
(xvi)	Purchase order—automated (assign V when numbering capacity of P is exhausted during a fiscal year)	P
(xvii)	Request for quotation—manual	Q
(xviii)	Request for proposal	R
(xix)	Sales contract	S
(xx)	Request for quotation—automated (assign U when numbering capacity of T is exhausted during a fiscal year)	T
(xxi)	See T	U
(xxii)	See P	V
(xxiii)	See M	W
(xxiv)	Reserved for departmental use	X
(xxv)	Imprest Fund	Y
(xxvi)	Reserved for departmental use	Z

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